



NACCA

Supporting Indigenous Entrepreneurs to Survive and Thrive

2020-21
Annual Report

National Aboriginal Capital Corporations Association

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Message from the Chair

There is no use denying it: 2020-21 was a challenging year for all of us. Our health and livelihoods, our families and routines were threatened by the COVID-19 pandemic and response measures. I would first like to acknowledge any losses that our members and their staff may have experienced this past year, as well as the grief we all felt at the confirmation that thousands of First Nation children died at residential schools in British Columbia and Saskatchewan. The horrific results of the policy to “kill the Indian in the child” again brings home the importance of our right to live freely in our own lands, in our own families and communities – and supported by our own institutions.

I would also like to highlight the strength that our network showed this past year. Fresh off the announcement that our Indigenous Growth Fund would become a reality in February 2020, we were launched headlong into the COVID-19 crisis. Very quickly, we had to assess the risk to our clients, who proved – as we expected – to be disproportionately affected by the pandemic mitigation measures. We lobbied governments for the Indigenous Business Stabilization Program announced in April 2020, so that our clients would receive the capital and supports they needed to survive. After obtaining the funds a full two months after non-Indigenous lenders, we launched directly into delivery mode. By the time the Emergency Loan Program issued its last relief packages in June this year, 37 AFIs had distributed \$158 million to some 3,000 Indigenous businesses. This was in addition to our other duties, and despite the stresses of the pandemic on our operations.

Throughout the 2020-21 year, we also advanced our own strategic priorities. With the Business Development Bank of Canada and other federal partners, the Indigenous Growth Fund completed its first close of \$150 million in March 2021. A few weeks later, Budget 2021 confirmed that the Aboriginal Entrepreneurship Program would receive a further \$42 million over three years, allowing AFIs to deliver additional loans under the Fund. The women's programming that NACCA developed last year – and that 15 AFIs delivered with great success – will receive a further \$22 million over three years for training, supports, and microloans to Indigenous women entrepreneurs.

Now in the fifth and final year of our current strategic plan, we are on track to achieving all of NACCA's strategic goals. Overall, we have brought in over \$500 million for the network since 2017. As we emerge from this year of challenge, we can so with a sense of optimism. We can take pride in having been there for our clients, despite all the hurdles we faced in doing it. And we have learned from our experience. Because we met this year's challenges, we can take on new ones with confidence in future years – expanding into new areas like housing, if and as favourable conditions present themselves.

Our network has proven itself once again. On behalf of NACCA's board, I would like to thank each AFI for the part that you and your staff played in this. *L'union fait la force* – together we are stronger. As a professional Indigenous-led network, our bonds are deep. Together, we achieved much in this difficult time.

Jean Vincent,
NACCA Board Chair

A photograph of Shannin Metatawabin, the Chief Executive Officer of NACCA, speaking at a podium. He is a middle-aged man with grey hair, wearing a grey blazer over a purple shirt and a red and black beaded necklace. He is looking slightly to his left. The background is dark and out of focus.

Message from the CEO

This year has confirmed what our communities have been saying all along: many of our children died at residential schools. Technology is finally allowing us to seek out each family tree that did not receive the chance to grow. We grieve their loss, and their lost potential, and will continue seeking them until they are found. Those graves show in the starkest terms how intentionally destructive Canada's Indigenous policy has been for our peoples.

First Nations, Métis and Inuit peoples deserve to lead full, prosperous lives. The founders of the AFI movement knew this – and the vision we inherited from them reflects it today. “Promoting thriving, prosperous Indigenous businesses with equitable access to capital and care.” As an Indigenous-led network, we pursue that vision without apology.

This past year has been a momentous one. Beyond the COVID-19 relief package that we lobbied for, secured, and disbursed within a single fiscal year, we delivered on several other key priority areas. The Indigenous Growth Fund, Indigenous Women's Program, and initial lobbying and planning on Indigenous Procurement: these and other areas saw major advances, despite a worldwide pandemic.

As NACCA's CEO, I appeared before parliamentary House and Senate committees, and at panels and roundtables to discuss the federal government's COVID-19 relief measures and the ongoing need of Indigenous businesses for capital in a recovery phase. NACCA's board was also active this year, taking part in meetings with Cabinet ministers and parliamentarians from all parties to get the word out.

What did we tell them? The truth about our vision – and about our forty-year track record. We told them that our lending network accompanies Indigenous entrepreneurs on their path, providing the capital and care they need to prosper. We told them how our members are crucial links of Indigenous entrepreneurs to both markets and government in the quest for economic reconciliation. We stressed that our network has been Indigenous-led and -governed from its beginnings, and will never cease to be.

A network that was once an “unknown Indigenous success story” is now an international best practice around the globe. Since 2017, our network has collectively brought in half a billion dollars in capital and program funding to support Indigenous business development. Yet our work is by no means done – not as long as AFIs continue receiving a fraction of the operating dollars they did in the early 1990s.

For Indigenous, by Indigenous. The past cannot be changed, but what happens next year can be. NACCA will seek to ensure that the network regains its historic levels of support, to deliver capital and program funds to our client Indigenous entrepreneurs as effectively as possible. We will report on our success in realizing this priority in next year's annual report. As for the successes of 2020-21 – as well as our many trials this past year – we present them to you in the pages that follow.

Shannin Metatawabin,
Chief Executive Officer

2020-21 at a Glance

NACCA's Strategic Objectives and Key Activities

Strategic Objectives (2017-2022)	Key Activities in 2020-21
<p>Serving NACCA Members</p> <p>NACCA will prioritize member satisfaction, seeking to engage via conferences, webinars and social media; provide AFIs with tools; focus on youth and women; and help members build capacity.</p>	<ul style="list-style-type: none">▪ Intensified outreach to AFIs through newsletters, Q and As, webinars and virtual meetings in response to the impacts of COVID-19.▪ Further built NACCA's social media presence.▪ Developed tools and a microloan framework, while supporting 15 AFIs to deliver 18 workshops to over 300 Indigenous women entrepreneurs.▪ Established and engaged an Indigenous Youth Business Advisory Council to guide future work of NACCA's youth entrepreneurship initiative.▪ Partnered with Chartered Professional Accountants Canada to develop co-branded financial literacy materials, tools and mentorship opportunities for Indigenous entrepreneurs.▪ Continued supporting the transition of AFIs to a common FaasBank loan management system.▪ Equipped 20 AFIs with a subscription to Equifax Canada, providing them with enhanced credit rating services.▪ Linked up 21 AFIs to IBIS World Canada Business Reports, providing members with comprehensive business intelligence services.▪ Offered NACCA's first grant program, supporting the investment readiness capacity of 18 AFIs and expanding resources and services to their clients.

2020-21 at a Glance

NACCA's Strategic Objectives and Key Activities

Strategic Objectives (2017-2022)	Key Activities in 2020-21
<p>Inspiring Confidence in the Network</p> <p>NACCA will tell the network's story to decision-makers and potential partners, its own members, potential clients, and the public. It will also build relationships needed to amplify the network's influence.</p> <p>NACCA will enhance its reputation by obtaining certification of its own internal processes.</p>	<ul style="list-style-type: none">▪ Took part in the COVID-19 Indigenous Business Taskforce initiated by the federal government.▪ With the Canadian Council for Aboriginal Business and National Indigenous Economic Development Board, conducted two surveys of Indigenous business-owners to inform COVID-19 relief and recovery efforts.▪ With other national Indigenous organizations, successfully pressed for a mandated federal Indigenous procurement target of 5%.▪ With other members of the Indigenous Business Circle, developed a united strategy to advance economic development goals.▪ Met with a growing range of political and business leaders, parliamentary committees, and federal departments and agencies.▪ Participated in discussions of the Organisation for Economic Co-operation and Development to follow up on its recommendations for connecting Indigenous peoples to regional economies.▪ Underwent final external audit to obtain ISO 9001 certification of our internal policies and processes.

2020-21 at a Glance

NACCA's Strategic Objectives and Key Activities

Strategic Objectives (2017-2022)	Key Activities in 2020-21
<p>Expanding AFI Financing</p> <p>NACCA will work to secure new capital – both loan and equity capital – to allow the network's financing activity to grow.</p>	<ul style="list-style-type: none"> ▪ Worked with AFIs to obtain and implement the \$307 million Indigenous Business Stabilization Program (IBSP), responding to COVID-19 impacts. ▪ Contracted with 37 AFIs to roll out an Emergency Loan Program under the IBSP, providing \$140 million in COVID-19 relief funding to businesses. ▪ Established a legal and governance structure for NACCA's Indigenous Growth Fund and completed its first close of \$150 million in March 2021. ▪ Gained further federal funding of \$42 million over three years for the Aboriginal Entrepreneurship Program, announced in Budget 2021. ▪ Obtained \$22 million over three years for the Indigenous Women's Entrepreneurship Program, announced in Budget 2021. ▪ Under NACCA's Investment Readiness Initiative funded by ESDC, awarded 18 AFIs grants totalling over \$2M. ▪ Explored participation of the AFI network in an Indigenous market housing finance project, spearheaded by the Aboriginal Savings Corporation of Canada in Quebec. ▪ Extended the Aboriginal Business Financing Program and Aboriginal Developmental Lending Allocation Program to further network members.
<p>Assessing and Building on the Network's Success</p> <p>The network as a whole is successful, and has had a significant impact on Indigenous business development in Canada. NACCA will examine the network's successes and work to cultivate AFIs' leading practices as norms.</p>	<ul style="list-style-type: none"> ▪ Developed five AFI success stories in promoting Indigenous women entrepreneurs. ▪ Took part in ESDC's two-year Investment Readiness Program, increasing the readiness of NACCA and 18 AFIs to participate in the social finance market. ▪ With the TAG working group, finalized a new logic model for the Aboriginal Entrepreneurship Program. ▪ Further developed a study of the socio-economic impact of AFIs with the Conference Board of Canada. ▪ With the Harvard Business School Executive Education Program, finalized details of delivering a customized training program to AFIs, set to be delivered when COVID-19 travel restrictions allow.

The Network by the Numbers: 2020 to 2021

\$305m

loan portfolio

\$110m

in new loans

1,000

businesses
receiving loans
annually

58

AFIs serving Indigenous
businesses across
the country

\$28m

in program funding
to support Indigenous
businesses

\$137m

in Emergency Loans
and Non-Repayable
Contributions to
Businesses

24%

of businesses supported
are 100% owned by
Indigenous women

22%

of entrepreneurs
supported are 35 years or
younger

95%

of those loans repaid

50,000

loans over
the past three
decades

\$3,000,000,000

in loans over the past three decades



The AFI Network

What We Are, What We Do

What Is an Aboriginal Financial Institution?

Aboriginal Financial Institutions (AFIs) are autonomous, Indigenous-controlled, community-based financial organizations that provide developmental loans and business financing to First Nations, Métis, and Inuit entrepreneurs. Located in all provinces and territories across Canada, AFIs are unique for their grassroots connections to the communities they serve.

Many Indigenous entrepreneurs are still often perceived as high-risk borrowers. Due to historic and contemporary legal and market-based barriers, they face difficulty accessing loan capital from conventional lenders. In the mid-1980s and early 1990s, Indigenous leaders and the Government of Canada created AFIs to address the shortage of available capital to finance Indigenous small-business development.

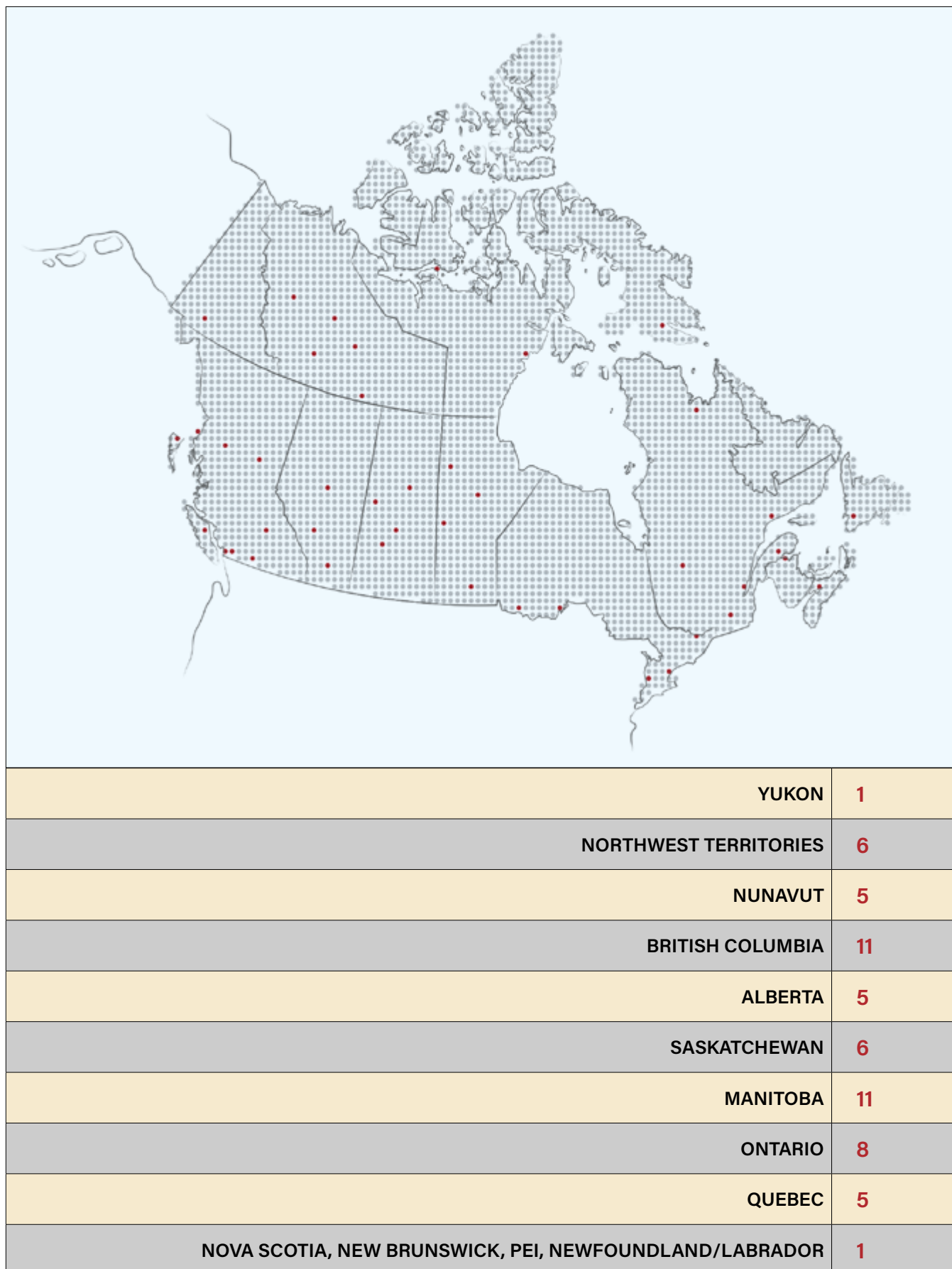
With 50,000 loans totaling \$3 billion made over the past three decades, the AFI network is crucial to addressing the unmet capital needs that First Nations, Métis and Inuit entrepreneurs continue to face. Beyond loans, AFIs provide clients with access to additional supports, including non-repayable contributions, financial and management consulting, and business start-up/aftercare services.

How does NACCA Support the Network?

NACCA is the national association that supports its 59 member AFIs across Canada. NACCA serves the network by advocating on behalf of its members and providing them with capacity development, capital and program funding. Our vast, diverse network holds the belief that the AFIs are stronger if they speak together with a proud voice.

*AFI is a collective term to describe three types of Indigenous-controlled financial institutions: **Aboriginal Capital Corporations (ACCs)**, primarily supported by Indigenous Services Canada; **Aboriginal Community Futures (ACFs)**, supported by federal regional development agencies; and **Aboriginal Developmental Lenders (ADLs)**, which have been capitalized by provinces or territories.*

Where We Are



Who We Are

YUKON (1)

däna Näye Ventures – Whitehorse

NORTHWEST TERRITORIES (6)

Akaitcho Business Development Corporation – Yellowknife

Deh Cho Business Development Centre – Fort Simpson

Dogrib Area Community Futures – Wha Ti

NWT Métis-Dene Development Fund – Yellowknife

Sahtu Business Development Centre – Norman Wells

Thebacha Business Development Services – Fort Smith

NUNAVUT (5)

Atuqtuarvik Corporation – Rankin Inlet

Baffin Business Development Corporation – Iqaluit

Kakivak Association – Iqaluit

Kitikmeot Community Futures Inc – Cambridge Bay

Kivalliq Business Development Centre – Rankin Inlet

BRITISH COLUMBIA (11)

Aboriginal Business and Community Development Centre – Prince George

All Nations Trust Company – Kamloops

Burns Lake Native Development Corporation – Burns Lake

CFDC of Central Interior First Nations – Kamloops

Haida Gwaii Community Futures – Massett

Métis Financial Corporation of BC – West Vancouver

Native Fishing Association – West Vancouver

Nuu-chah-nulth Economic Development Corporation – Port Alberni

Stó:lō Community Futures Corporation – Chilliwack

Tale'Awtxw Aboriginal Capital Corporation – West Vancouver

Tribal Resources Investment Corporation – Prince Rupert

ALBERTA (5)

Alberta Indian Investment Corporation – Enoch

Apeetogosan (Métis) Development Inc. – Edmonton

Community Futures Treaty Seven – Calgary

Indian Business Corporation – Calgary

Settlement Investment Corporation – Edmonton

SASKATCHEWAN (6)

Beaver River Community Futures Development Corporation – Meadow Lake

Clarence Campeau Development Fund – Saskatoon

Northern Enterprise Fund Inc. – Saskatchewan

Saskatchewan Indian Equity Foundation Inc. –

Asimakaniseekan Askiy Reserve

SaskMétis Economic Development Corporation – Saskatoon

Visions North CFDC – LaRonge

MANITOBA (11)

Arctic Co-operative Development Fund – Winnipeg

Cedar Lake Community Futures Development Corporation – The Pas

Community Futures North Central Development – Thompson

Dakota Ojibway Community Futures Development Corporation – Headingly

First Peoples Economic Growth Fund Inc. – Winnipeg

Kitayan Community Futures Development Corporation – Winnipeg

Metis Economic Development Fund – Winnipeg

Louis Riel Capital Corporation – Winnipeg

Northwest Community Futures Development Corporation – Lynn Lake

Southeast Community Futures Development Corporation – Winnipeg

Tribal Wi-Chi-Way-Win Capital Corporation – Winnipeg

ONTARIO (8)

Indian Agricultural Program of Ontario – Stirling

Métis Voyageur Development Fund Inc. – Ottawa

Nishnawbe Aski Development Fund – Fort William First Nation

Rainy Lake Tribal Area Business & Financial Services Corporation – Fort Frances

Tecumseh Community Development Corporation – Sarnia

Two Rivers Community Development Centre – Ohsweken

Wakenagun Community Futures Development Corporation – Moose Factory

Waubetek Business Development Corporation – Birch Island

QUEBEC (5)

Corporation de développement économique montagnaise – Sept-Îles

Eeyou Economic Group / CFDC Inc. – Waswanipi

Nunavik Investment Corporation – Kuujuaq

Société de crédit commercial autochtone – Wendake

Tewatohni'saktha Business Loan Fund – Kahnawake

NOVA SCOTIA, NEW BRUNSWICK, PEI, NEWFOUNDLAND/LABRADOR (1)

Ulnooweg Development Group Inc. (serving all Atlantic provinces) – Truro

Challenge and Courage

The First Response to the COVID-19 Crisis



Fresh off the success of the 2020 Indigenous Prosperity Forum in February, our network was hit with the COVID-19 crisis. On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Shortly after, several provinces in Canada declared states of emergencies. The world has not been the same since, with groups that are systematically disadvantaged facing the most severe impacts of the crisis. Indigenous businesses, which already faced additional barriers beyond those of non-Indigenous businesses, were no exception.

Our network responded immediately after the World Health Organization made its announcement. On March 13, 2020, NACCA delivered a survey to AFIs, asking them about the impact they expected on their clients and their own operations. 95 percent of AFIs that responded expected a significant negative impact on businesses across sectors, while 80 percent expected an impact on their own operations.

When Canada announced measures for businesses delivered by mainstream commercial banks, we understood that many Indigenous businesses would require the types of tailored supports that AFIs were designed to provide. That same month, NACCA and our members advocated for tailored measures to be delivered by the AFI network.

The Indigenous Business Stabilization Program

Our sorely-needed Indigenous relief package came in April 2020, some weeks after Parliament had approved the relief funding package announced for other Canadian businesses. The \$307 million Indigenous Business Stabilization Program (IBSP) would include emergency loans for Indigenous businesses, operating support for AFIs and NACCA, and a contingency fund that could be used to assist AFIs that had suffered significant losses to their loan portfolio due to client defaults on loan payments.

At the end of June 2020, NACCA gained the first IBSP funds from Indigenous Services Canada. AFIs went

straight to work issuing emergency loans to their Indigenous clients. There were some difficulties with the roll-out of IBSP funding compared to other COVID-19 relief programs, including uncertainties and delays in receiving further relief funding, lower stacking limits of available funds, and lower maximum loan values compared to loans issued by Regional Development Agencies (RDAs) in some regions.

The discrepancies were demoralizing to some of our members, who found themselves having to refer their Indigenous clients to non-Indigenous RDAs in their regions rather than being able to support them at the levels they required. And yet, by the time the IBSP program concluded in June 2021, NACCA and 37 AFIs still managed to disburse \$140 million in COVID-19 relief funding to 2,700 Indigenous businesses.

The Indigenous Business COVID-19 Response Taskforce

Early in the crisis, NACCA began working with ten other national Indigenous organizations on a national Indigenous Business COVID-19 Response Taskforce. Our founding charter set our goal to “bring together the leadership of Indigenous business organizations to provide the Government of Canada with a single, unified Indigenous voice during this time of crisis.”

The Taskforce aimed to advise the federal government on two main topics:

- Identifying and mobilizing Indigenous businesses to contribute to the federal government’s procurement effort for much-needed medical supplies and equipment
- Analyzing how the COVID-19 crisis is impacting Indigenous businesses across the country, to ensure that Canada can provide support measures equivalent to those provided to non-Indigenous businesses within the Canadian economy.

These two priorities gave rise to further collaborations on survey research and Indigenous procurement.

The COVID-19 Indigenous Business Survey

One of the Taskforce's first priorities was to understand the impact that the COVID-19 response measures were having on Indigenous businesses – from the perspectives of business-owners themselves. In both April and December 2020, the Taskforce launched a COVID-19 Indigenous Business Survey, which found that Indigenous-owned businesses were indeed among those hardest hit by the COVID-19 pandemic.

Distributed through the business networks of the Canadian Council for Aboriginal Business (the project lead), NACCA, and the National Indigenous Economic Development Board, the Phase II survey gained a total of 825 responses. It found that:

- Nearly three quarters (73%) of Indigenous businesses had been negatively impacted by the COVID-19 pandemic, while 13% reported a positive impact.
- Almost half (48%) of Indigenous businesses laid off staff either temporarily or permanently due to the pandemic, while one in ten hired new staff.
- Over four in ten (44%) Indigenous businesses reported that they could not operate beyond the next six months without further government support.
- Nearly half of those surveyed stated that financial requirements were a barrier to accessing COVID-19 Economic Response measures, while one quarter said they had difficulty meeting some application requirements.
- Almost half (45%) of the Indigenous business owners surveyed called for training in social media and digital marketing to support their future needs.
- Other needs were grant, proposal, and application-writing (43%), followed by web development and business planning.

The COVID-19 Indigenous Business Survey proved to be a crucial tool for NACCA in its advocacy on behalf of Indigenous businesses, which are heavily concentrated in sectors that were hard hit by the measures put in place to mitigate COVID-19. The survey indicated a need for loan programs targeted to Indigenous clients, and for training and support to assist clients in getting through the crisis. This work culminated in Calls to Action that continue to guide NACCA's advocacy work in the recovery period.

Advances in Indigenous Procurement

One key priority of the Taskforce was to promote a reliance on Indigenous businesses in federal procurement efforts for medical supplies and equipment. It sought to hold the federal government to the minimum 5 percent procurement target set out in department mandate letters issued in December 2019. Prior research has shown a need to reduce the barriers to Indigenous businesses to participate in federal procurement opportunities.

In July 2020, selected Taskforce members formed a national Indigenous Procurement Working Group. Working with Indigenous Services Canada, Public Services and Procurement Canada and the Treasury Board Secretariat, the Group continues to advise the federal government on legal and policy measures to achieve the minimum five percent procurement target across government. The Working Group meets regularly with

government officials to track progress on goals, and is seeking the creation of a National Indigenous Supply Institute based on an Australian model.

One major goal of the Working Group is to develop an Indigenous-led supplier database to provide a single, verified directory of Indigenous-owned businesses across the country. The initial intention was to help federal procurement officers purchase personal protective equipment from Indigenous suppliers, but there is also a larger opportunity to help transition from a directory that is controlled by the federal government to an Indigenous-led directory. At present, the AFI network has registered 113 Indigenous businesses to the online Indigenous Business Directory, created as an add-on to the FaasBank loan management system.



Timeline – Responding to COVID-19

2020

March 11

World Health Organization declares a global pandemic due to the COVID-19 virus.

March 13

NACCA issues a survey to AFI members seeking to assess the impact on their clients.

March

Intensive advocacy to the federal government for tailored relief measures for Indigenous business relief begins.

April 18

Federal government announces a targeted economic relief package of \$307 million for Indigenous businesses, to be delivered through NACCA and the AFI network.

June 25

Following prolonged negotiations with Indigenous Services Canada on IBSP terms and conditions, AFIs begin delivering the first relief loans across the country.

August

AFIs in some regions note discrepancies in the terms and conditions of their program compared to those offered by RDAs, have to refer some clients to federal agencies. NACCA appeals to federal ministers for changes to restrictions on NACCA's program.

October

Government of Canada announces \$20,000 in further relief funding for Canadian businesses.

November

NACCA receives confirmation that Indigenous businesses will receive additional relief funding as well.

2021

February

Early results of the Phase II COVID-19 Indigenous Business Survey confirm that tailored supports are required, and that the majority of Indigenous businesses cannot take on more debt.

March 31

Deadline to issue IBSP relief loans is extended to June 30, 2021. NACCA and 37 AFIs have delivered \$140 in relief funds to over 2,700 businesses.

Network Performance

2020-21: Rising to an Unprecedented Challenge

The 2020-21 fiscal year was one like no other. The network's usual loan activity continued apace, closely following the trajectory of prior years. At the same time, NACCA and AFIs advocated for, developed, and delivered the Indigenous Business Stabilization Program (IBSP). The program enabled AFIs to provide loans and non-repayable contributions to 3,055 Indigenous businesses by its end date, which was extended to June 2021.

Our network's participation in the COVID-19 relief effort made it an indispensable support to thousands of Indigenous entrepreneurs. A large proportion of these businesses had not been prior AFI clients and would not have qualified for programs being offered to other Canadian businesses. For these loan recipients, the Indigenous-specific emergency loan packages that AFIs offered were truly a lifeline.

AFI Highlights	2018	2019	2020	2021
Regular AFI activity				
Total loan dollars advanced	\$110,526,431	\$126,367,694	\$113,154,484	\$109,733,021
▪ To start-ups	\$21,607,408	\$37,092,668	\$25,713,014	\$26,675,538
▪ To existing businesses	\$88,919,023	\$87,854,634	\$87,441,470	\$83,057,483
Total number of loans	1,163	1,144	1,076	982
▪ To start-ups	384	408	375	338
▪ To existing businesses	779	736	701	643
Total FTE jobs created or maintained by new loans	3,502	3,543	3,634	3,802
Total gross loan portfolio (GLP)	\$262,370,688	\$269,870,736	\$283,709,130	\$304,673,407
Average size of new loan (weighted)	\$95,834	\$109,629	\$106,508	\$109,315
Interest yield on GLP (weighted average)	6.19%	6.00%	6.18%	5.68%
Annual write-offs as % of GLP (weighted average)	2.01%	1.70%	1.52%	2.02%
Additional ELP activity				
Total emergency support to businesses				\$137,367,364
▪ Total loan dollars advanced				\$94,939,476
▪ Total non-repayable contributions				\$42,427,888
Number of businesses supported				2,705

Breaking Down the Annual Data

From April 2020 to March 2021, AFIs extended **982 loans worth over \$109 million** to Indigenous businesses across the country via its regular lending activity. These loans either created or maintained **3,802 full-time equivalent jobs**, a number slightly higher than in previous years.

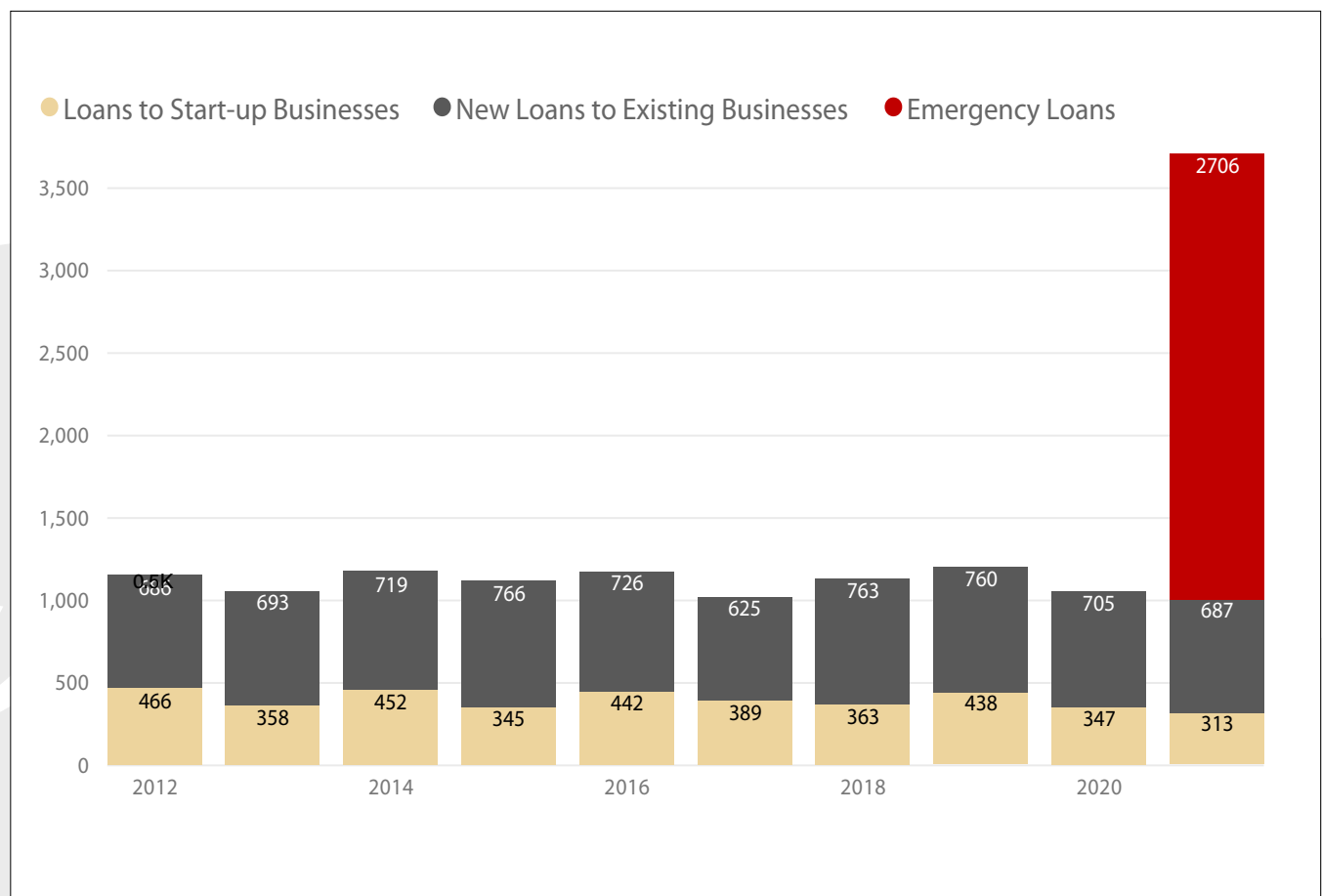
Larger versus Smaller Loans

Continuing the trend from 2018 to 2020, the past fiscal year featured a slightly lower number of loans, with a slightly higher average value than in prior years. In a situation of high demand but stagnant available capital, AFIs appear to have opted to invest in larger projects. As the data indicate, the average dollar amount per loan that AFIs issued to Indigenous business owners in 2020/21 was **\$109,315**.

Start-ups and Existing Businesses

A large majority of Indigenous businesses are small- or medium-sized enterprises (SMEs). As the history of our lending movement shows, SMEs – and, in particular, Indigenous-led start-ups – are the core type of businesses that AFIs were created to support.

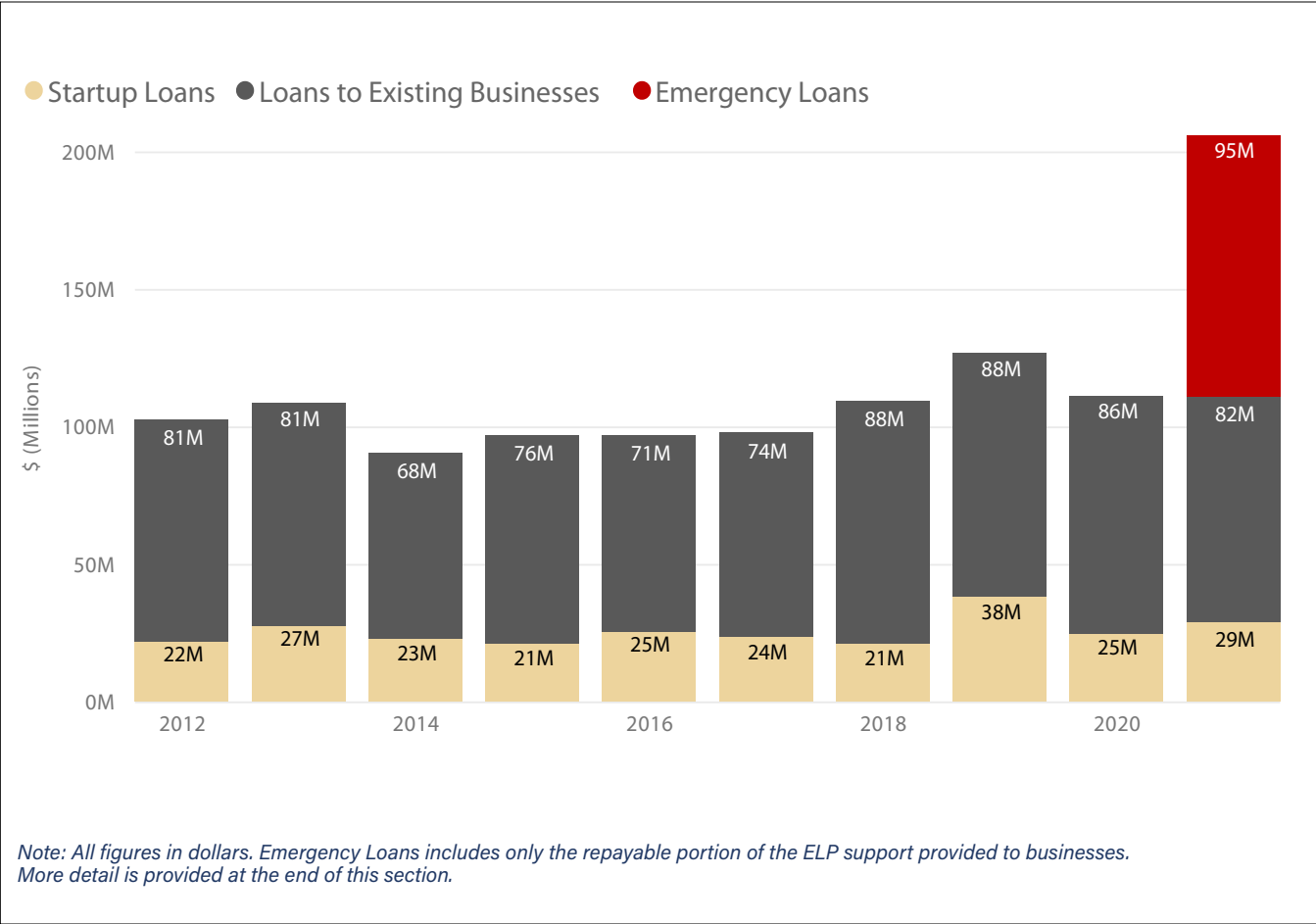
Number of New Loans Advanced by AFIs



As in past years, the number of loans to start-up businesses compared to new loans to existing businesses remained fairly constant – at about half the overall loans. Likewise, the overall regular lending activity remained comparable to previous years. What changed in 2020/21 was the remarkable number of emergency loans delivered: on top of their usual lending, AFIs distributed about 2,705 loans to Indigenous businesses under the Emergency Loan Program, almost triple the number entailed in their usual lending activity. In terms of loan dollar amounts, emergency loans comprised almost half – or \$95 million of a total of over \$205 million – of all loans that AFIs provided in 2021.

In dollar amounts, start-ups received a smaller – yet still significant – proportion of AFI lending. In 2020/21, \$27 million went to start-up businesses. This represents just under one quarter of the loans that AFIs provided from their regular loan portfolio (which does not include Emergency Loan Program funds).

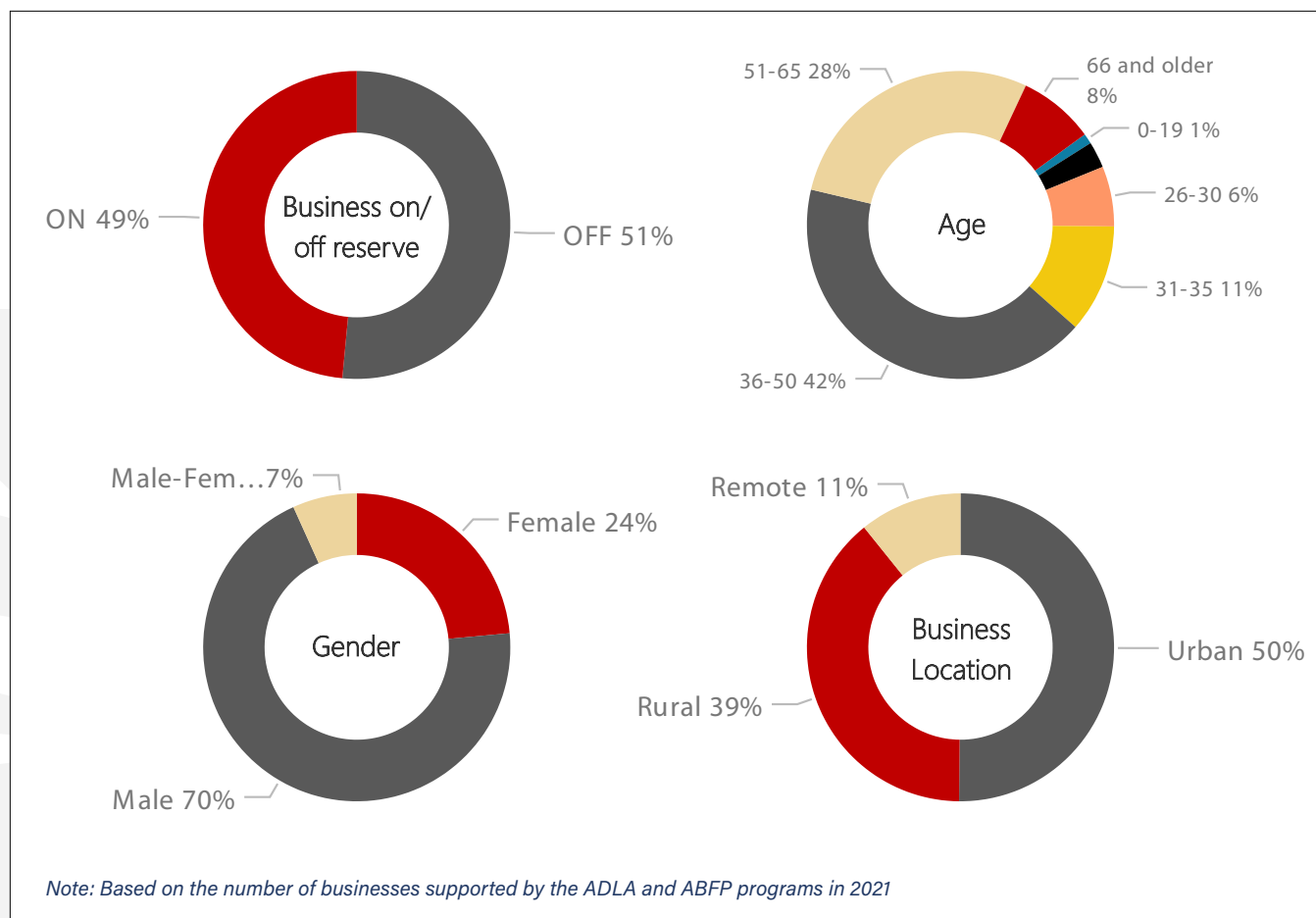
Value of New Loans Advanced by AFIs



A Diverse Set of Indigenous Entrepreneurs

In 2015, NACCA began tracking some of the basic demographic characteristics of the clients that AFIs support. The results for 2020-21 are fairly consistent with those for prior years, except that this year featured a greater proportion of loans offered to businesses located in reserve and rural communities compared to urban centres. This shift was due in large part to the removal from our data set of five Métis Capital Corporations, which no longer provide reports on their lending activities to NACCA.

In 2020-21:



- **On-reserve/off-reserve:** almost half (49%) of business clients were located on-reserve in 2020/21. This distribution differs slightly from past years, which featured about two-thirds of loans provided to clients located off-reserve, due to removal of loans and non-repayable contributions issued by the Metis Capital Corporations from the data set.
- **Business location:** half of AFI loans and financing (50%) went to businesses located in urban settings, while just over half went to businesses in rural (39%) or remote (11%) locations. This distribution is similar to 2018-2020.
- **Gender:** Just under a third (30%) of AFI loans went to businesses either solely owned (24%) by Indigenous women or co-owned (7%) with a male.
- **Age:** Over three-quarters (78%) of AFI clients are over 35. Although youth is the fastest-growing demographic of the Indigenous population, only 18 percent of the businesses are led by Indigenous youth to age 35. NACCA has begun research examining supports needed to reach youth in the network's lending.

Support for Young Entrepreneurs

In its 2017-22 Strategic Plan, NACCA identified outreach to Indigenous youth as a strategic priority. The aim has been to ensure that this fast-growing population will become aware of AFI services, and to enlist the network's help in meeting their needs. The network took a step forward on this priority at NACCA's Indigenous Prosperity Forum in February 2020, when NACCA partnered with Futurpreneur Canada to support Indigenous entrepreneurs aged 18 to 39. With Futurpreneur, NACCA convened an Indigenous youth business advisory council in 2020-21 to learn how best to support this underserved market. Based on a template agreement developed by NACCA, 12 AFIs concluded formal agreements with Futurpreneur to promote Indigenous youth entrepreneurship within their traditional territories.

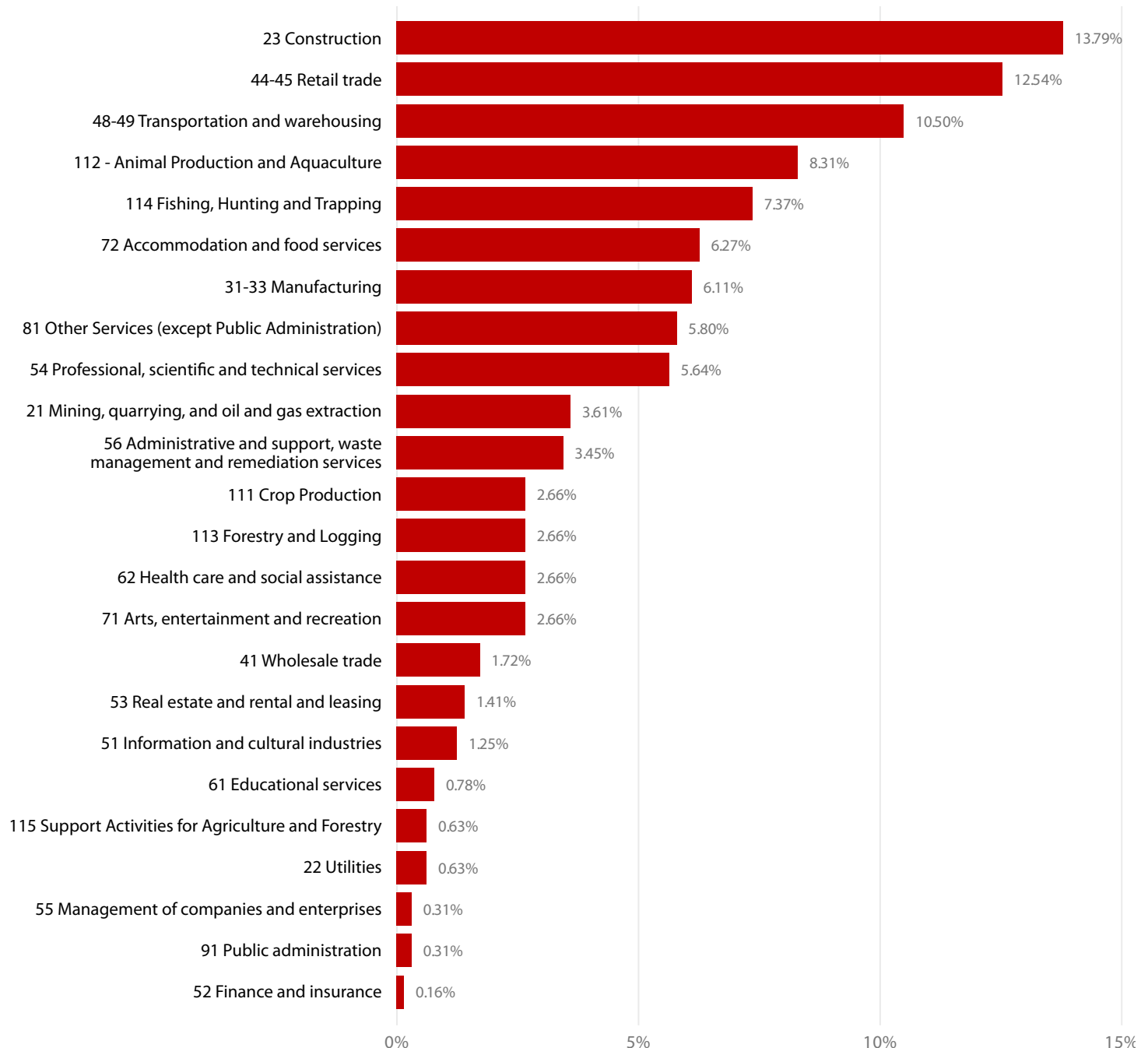
To ensure that youth entrepreneurs can access the tailored supports they require, NACCA is pressing for government funding for a dedicated program on the lines of its Indigenous women entrepreneurship programming, which received \$22 million over 3 years in Budget 2021.



Destinee Peter, NACCA's Youth Advisory Council member and recipient of NACCA's 2020 Indigenous Youth Business Award of Excellence. Pictured with Lucy Pelletier, NACCA Board Member for Saskatchewan. Photo: Fred Cattroll.

A Wide Range of Industries

As in previous years, AFI loans supported entrepreneurs in a wide range of industries, with large concentrations of business clients in a few key sectors nationally. Construction, transportation and warehousing, as well as retail trade were the highest. Food service and accommodation sectors were also well-represented, as were traditional businesses such as fishing, hunting and trapping. Notably for Indigenous economies, the sectors where Indigenous businesses are concentrated were also most affected by social distancing measures responding to the COVID-19 pandemic.



Note: Based on the number of businesses supported by the ADLA and ABFP programs in 2021

From Coast to Coast to Coast:

AFI Highlights by Region

Each region except for British Columbia issued slightly fewer loans under its regular portfolio than in previous years. As relevant factors, data for the five Métis Capital Corporations are not included in this year's table. Notably, too, this table does not include the loans that AFIs issued under the Emergency Loan Program. The regional breakdown for these loans differs notably from the breakdown for AFIs' regular loan portfolios, and is presented in a table specific to that program below.

Region	AB	APQ	BC	MB	NO	ON	SK	Total
Total Loan Dollars Advanced	\$5,531,705	\$7,489,726	\$17,503,622	\$6,272,357	\$51,019,951	\$14,096,435	\$7,819,227	\$109,733,021
# Loans to Start-up Businesses	51	27	85	35	24	75	41	338
# New Loans to Existing Businesses	120	37	117	38	30	162	139	643
Total # of New loans	172	64	202	73	54	237	180	982
Avg. Loan Size (weighted)	\$27,692	\$117,027	\$86,652	\$54,721	\$944,814	\$62,150	\$43,440	\$109,315
Total FTE Jobs Created or Maintained	613	504	868	212	418	582	606	3802
Gross Loan Portfolio	\$25,526,597	\$32,182,625	\$54,473,863	\$30,239,255	\$101,790,126	\$36,312,536	\$24,148,405	\$304,673,407
Interest Yield on GLP (GLP, weighted)	9.98%	5.68%	5.81%	3.56%	6.81%	2.75%	3.20%	5.68%
Write Offs as % of GLP (weighted avg.)	6.47%	0.33%	0.38%	3.22%	0.52%	5.80%	2.41%	2.02%
Total emergency support to businesses	\$36,385,000	\$22,119,020	\$58,326,982	\$4,079,000	\$4,549,194	\$3,720,168	\$8,188,000	\$137,367,364
Total ELP Loans	\$25,673,750	\$15,530,015	\$39,398,389	\$2,857,250	\$3,128,946	\$2,630,126	\$5,721,000	\$94,939,476
Total ELP Non-Repayable	\$10,711,250	\$6,589,005	\$18,928,593	\$1,221,750	\$1,420,248	\$1,090,042	\$2,467,000	\$42,427,888

NACCA's Programs at Work:

The Aboriginal Entrepreneurship Program

As an administrator of programs supporting businesses and AFIs, NACCA distributes funding to AFIs under the Aboriginal Entrepreneurship Program (or AEP for short). This program supports most of the loans that AFIs provide to Indigenous businesses. With a budget of \$26.5 million, the program has been oversubscribed for the past several years.

Under the AEP, five individual programs meet the needs of Indigenous entrepreneurs and the AFIs that serve them.

AEP - Aboriginal Entrepreneurship Program	2018-19	2019-20	2020-21
ABFP Contributions	\$19,593,068	\$17,740,540	\$20,743,796
ABFP Operations	\$2,999,167	\$3,148,280	\$3,301,496
ACDP	\$1,139,233	\$1,057,190	\$1,005,069
ADLA	\$4,342,454	\$3,638,449	\$3,791,406
EA	\$165,485	\$208,744	\$284,156
IRB	\$102,873	\$153,724	\$150,771
TOTAL	\$28,342,279	\$25,946,927	\$29,276,694

1. Aboriginal Business Financing Program (ABFP)

The Aboriginal Business Financing Program or ABFP (also known as the equity program) addresses the many barriers to financing that Indigenous business-owners typically face. Delivered by 16 AFIs across the country, the program provides Indigenous entrepreneurs and community-owned business ventures with a non-repayable contribution they can use toward eligible project expenses. With the contribution in place, AFIs can provide a loan to finance the remaining portion of a start-up or expansion. Without the contribution from the ABFP, many loans to Indigenous businesses would not be viable.

As in previous years, demand for the ABFP continued to be very high.

ABFP - Aboriginal Business Financing Program	2018-19*	2019-20*	2020-21
# of Regional Leads	12	15	16
Contributions provided to businesses	\$19,593,068	\$17,740,540	\$20,743,796
Operating support for AFI Regional Leads	\$2,999,167	\$3,148,280	\$3,301,496
TOTAL ABFP Funding	\$20,615,842	\$19,673,494	\$21,674,074
# of Projects supported	435	399	466

Note: To make it easier to compare across years, the data in this table excludes data from the five Metis Capital Corporations for 2018 to 2021.

2. Aboriginal Developmental Lending Allocation Program (ADLA)

The ADLA program supports the sustainable deployment of loan capital that AFIs have available by providing AFIs with an incentive to engage any capital they can access by issuing further loans. Prior to introduction of the ADLA in 2014-15, many AFIs struggled to break even due to the high costs of their developmental lending, which could not be met by the interest rates that they were able to charge.

As the number and value of loans supported indicates, this activity-driven program has achieved its objective of encouraging AFIs to issue more loans to Indigenous businesses. The program was over-subscribed again in 2020-21.

ADLA - Aboriginal Developmental Lending Allocation Program	2018-19	2019-20	2020-21
# of AFIs accessing	19	19	17
# of loans to businesses	513	436	327
\$ Value of developmental loans	\$ 33,403,492	\$ 27,988,066	\$ 30,519,047
\$ ADLA Funding paid to AFIs	\$ 4,342,454	\$ 3,638,449	\$ 3,791,406

3. Aboriginal Capacity Development Program (ACDP)

The Aboriginal Capacity Development Program supports AFIs in their ongoing effort to enhance their capacity and effectiveness. With a budget of just over \$1 million per year, projects in this period ranged from specialized training for staff members to upgrades to their loan management software.

In 2020-21, the program continued to be widely used, although no training events could be held due to COVID-19 restrictions. In addition to projects undertaken by individual AFIs, the ACDP also supported capacity for the network at large.

ACDP - Aboriginal Capacity Development Program	2018-19	2019-20	2020-21
# of individual AFIs supported	32	28	19
# of AFI staff trained	179	125	74
# of AFI Directors trained	140	118	23
\$ of Funding Provided to AFIs	\$1,139,233	\$1,057,190	\$1,005,069

4. Enhanced Access Program (EA)

For various reasons, some areas of the country do not have an AFI serving Indigenous businesses there. The EA Loan Fund provides loan capital that other AFIs can access to provide loans in underserved areas. AFIs that access this lending capital are reimbursed for the operational expenses they incur in serving businesses located outside their traditional territories.

Funds drawn through the EA program supported 21 new developmental loans in 2020-21. As the data indicate, this program was heavily oversubscribed this past fiscal year.

EA Enhanced Access Program	2018-19	2019-20	2020-21
\$ EA Loans Receivable	\$4,907,881	\$6,072,458	\$8,111,892
# of AFIs accessing for new loans	5	5	5
# of new developmental loans	16	24	21
\$ value of loans approved	\$ 1,654,485	\$ 2,087,442	\$ 2,841,556
\$ Value of 10% admin approved	\$ 165,485	\$ 208,744	\$ 284,156

5. Interest Rate Buy-Down Program (IRB)

Faced with a lack of capital to issue new loans, some AFIs establish lines of credit with other financial institutions. The Interest Rate Buy-Down Program offsets the interest costs of accessing capital and, through it, supports AFIs in undertaking additional developmental lending.

Over the past years, the dollar amount claimed under this program has grown quickly, indicating that AFIs increasingly have to make use of such lines of credit to meet the demand for capital in their regions.

IRB Interest Rate Buy-Down Program	2018-19	2019-20	2020-21
# of AFIs accessing the program	6	5	3
\$ value of subsidy claimed	\$ 102,873	\$ 153,724	\$ 150,771

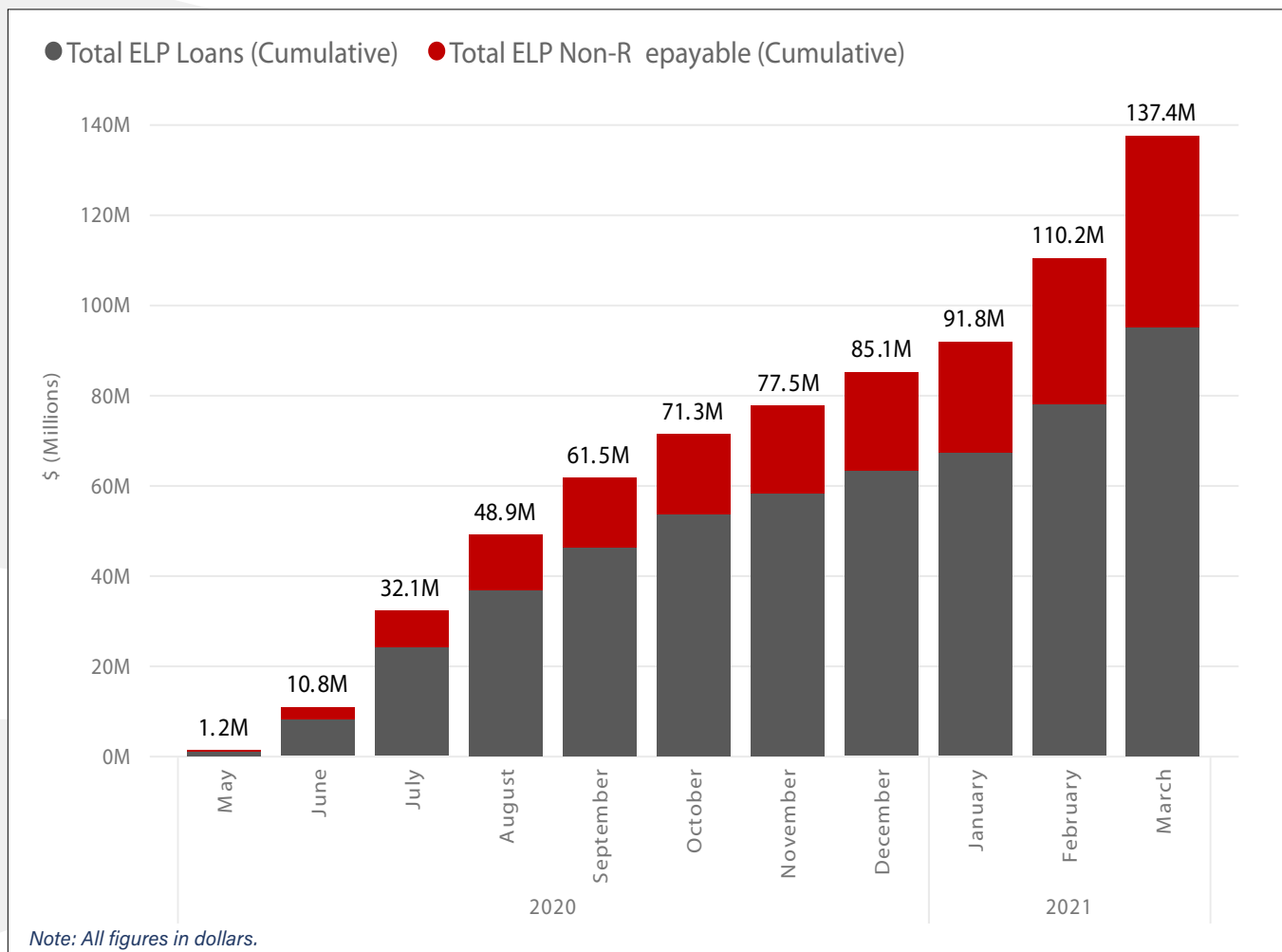
The Indigenous Business Stabilization Program

Early in March 2020, NACCA and AFIs understood that the COVID-19 pandemic would have an impact of a kind never before seen – on Indigenous businesses and communities and on the AFIs that serve them. Beyond the many barriers to access to capital that have long existed for Indigenous entrepreneurs, COVID-19 mitigation measures have had a disproportionate impact on the sectors where Indigenous businesses tend to be most active: such areas as small retail, tourism, hospitality and accommodations.

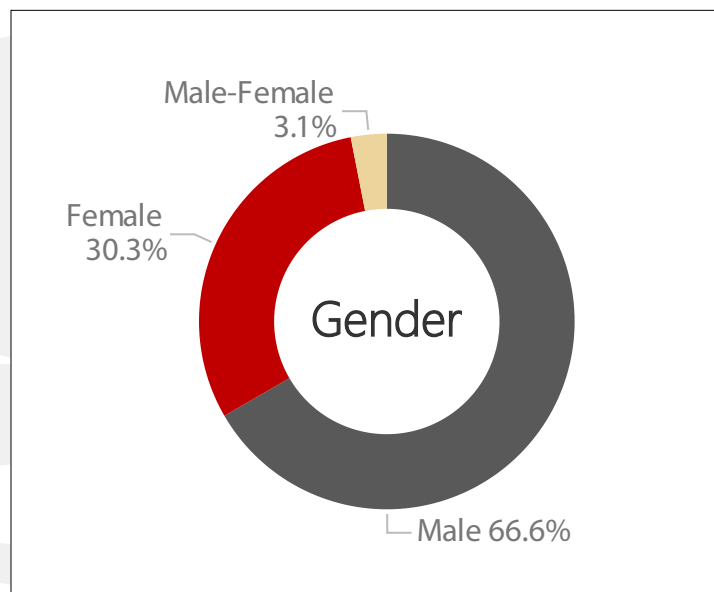
AFIs predicted a heavy impact on their clients in a member survey and NACCA began working on a response package early in March. The aim was to help both Indigenous businesses and AFIs themselves to withstand the coming crisis. On April 18, 2020, the Prime Minister announced a \$307 million relief package. Central to the package was the \$204 million Emergency Loan Program (ELP) administered by NACCA and delivered by the AFIs, which provided Indigenous-owned businesses impacted by COVID-19 with interest-free loans and non-repayable contributions to support their immediate working capital and operational needs. The maximum assistance per business was \$40,000 (comprised of a \$30,000 loan and \$10,000 non-repayable contribution). This amount was later increased to \$60,000 (comprised of a \$40,000 loan and \$20,000 non-repayable contribution).

The following three figures provide information on the distribution of emergency loans under the Emergency Loan Program (ELP). The first indicates the timeframes of the distribution. Although the announcement was made only in April, AFIs provided bridge loans to the most vulnerable indigenous businesses in May. This was in anticipation of the formal launch of the ELP program in early June, with relatively larger bursts of lending activity in the Summer of 2020 and Winter/Spring of 2021.

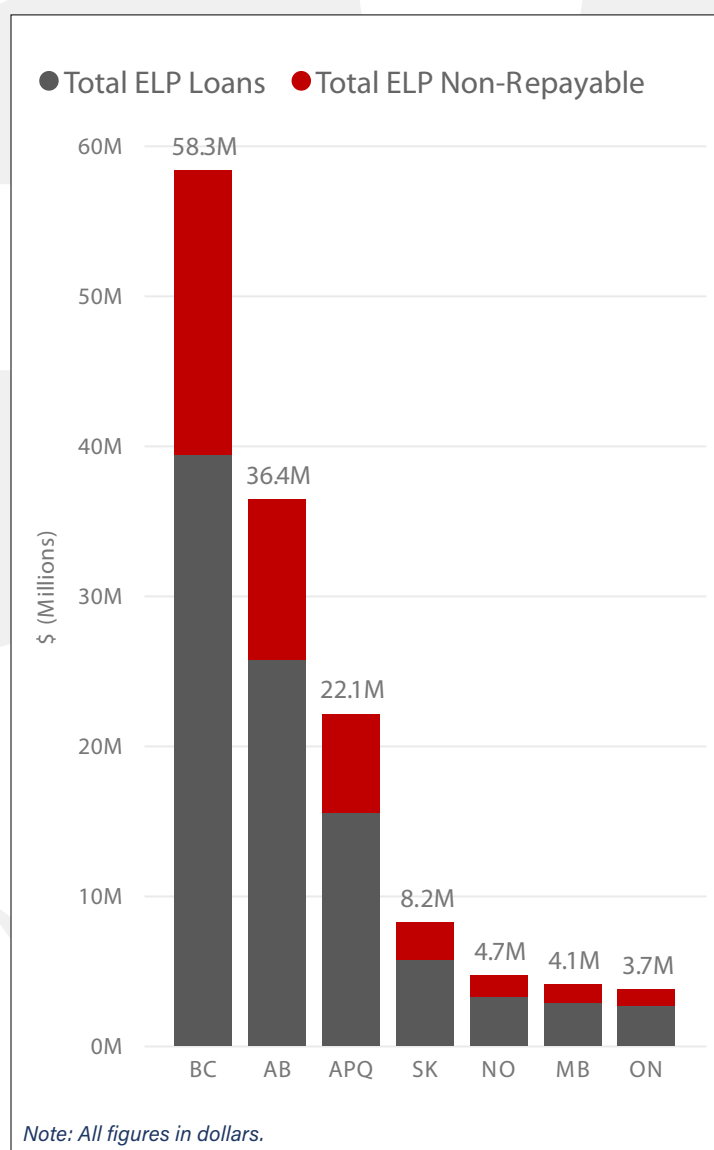
Emergency Loans Provided to Indigenous Businesses by AFIs



The Indigenous Business Stabilization Program



This chart presents the gender breakdown of loans issued under the ELP. A slightly larger proportion of ELP loans went to businesses led by Indigenous women (31% compared to 24% for the regular loan portfolio). More research will be required to discern why this occurred.



The final graph provides a sense of the regional breakdown of ELP loans. The greatest proportion of ELP loans was issued to Indigenous-led businesses in British Columbia, followed by Alberta and the Atlantic Provinces and Quebec. Indigenous businesses located in other provinces – for example, in Ontario or the North – issued a much smaller proportion of emergency loans compared to their regular loan portfolio. This discrepancy is largely due to the conditions under which AFIs could issue loans under the ELP compared to the varying conditions of emergency loan funding provided by federal Regional Development Agencies.

The graph also indicates the proportions of interest-free loans versus non-repayable contributions disbursed for each region.

Building on our Success

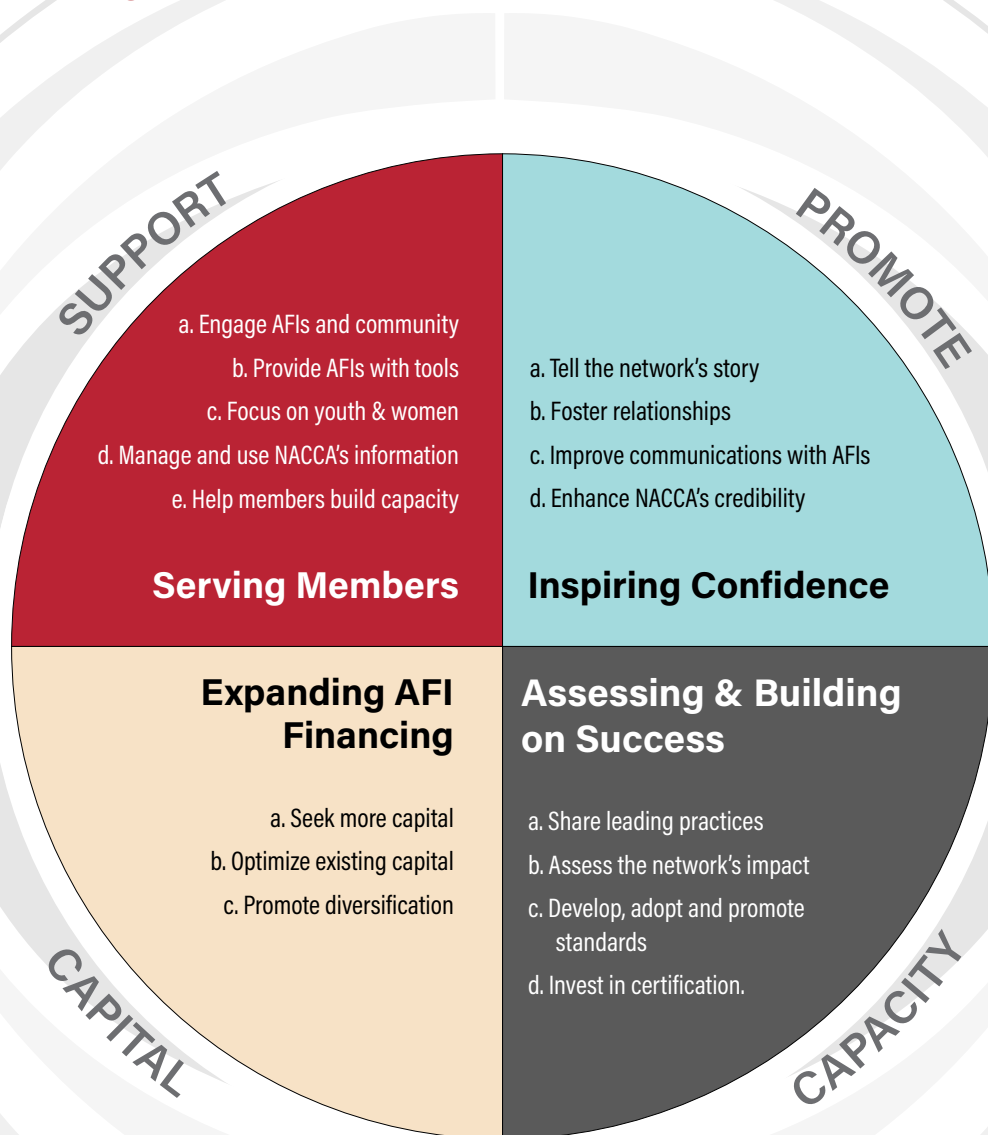
Reporting on Our Commitments: 2020-21 in Review

A key feature of accountability is reporting back on commitments made in previous years. In 2020-21, despite the COVID-19 pandemic, NACCA continued to advance the priorities our network had identified in our 2017-2022 Strategic Plan.

In fact, NACCA and the network were able to roll out more new programs and gain more new funding this past year than any other year. Our success arose in part through the culmination of several years of work (on the Indigenous Growth Fund or women's entrepreneurship programming, for example). In part, it was due to the Emergency Loan Program that our network advocated for, designed, and delivered to provide tailored COVID-19 relief to Indigenous businesses.

The following tables detail progress made on each strategic priority in 2020-21.

Summary of Strategic Priorities



Priority 1: Serving NACCA Members

Our 2017-2022 Strategic Plan stresses NACCA's pledge to prioritize member satisfaction, engaging members through regular meetings and conferences, webinars and social media platforms. It commits the Association to developing tools and applications to assist AFIs in improving client services, and to enlist its program information to help AFIs to provide the best possible care to the next generation of Indigenous entrepreneurs. The Plan requires NACCA to target training and capacity support to distinct tiers of lenders. Finally, it entails a special focus on youth and women—identifying their lending needs, holding dedicated forums, and inviting youth to help develop new loan products.

Strategic Directions	Achievements in 2020-21
Engage AFIs and potential clients by holding regular conferences and gatherings, improving NACCA's web interface and enlisting social media.	<ul style="list-style-type: none"> ▪ Intensified outreach to AFIs through newsletters, Q and As, webinars and virtual meetings in response to the COVID-19 economic crisis. ▪ Further built NACCA's social media presence on a variety of platforms. ▪ Under NACCA's Investment Readiness Initiative, 18 AFIs developed new digital client support materials and hosted 68 workshops (537 participants).
Provide AFIs with tools encouraging them to improve client service, through such things as web-based application processes and more comprehensive pre- and post-loan services.	<ul style="list-style-type: none"> ▪ Partnered with Chartered Professional Accountants Canada to develop co-branded financial literacy materials, tools and mentorship opportunities for Indigenous entrepreneurs. ▪ Further developed an online Indigenous Business Directory using the FaasBank system, with over 100 Indigenous businesses registered.
Focus on youth and women , using research and NACCA data to identify their lending needs, holding dedicated forums, and inviting youth to help develop new products.	<ul style="list-style-type: none"> ▪ Published research and recommendations to support tools, resources and workshops for Indigenous Women Entrepreneurs (IWEs). ▪ Developed a micro-finance framework, financial capability workbooks, self-assessment guides, and workshop modules to support IWEs. ▪ Secured funding from Innovation Science Economic Development Canada for 15 AFIs to deliver 18 virtual and in-person workshops to 310 IWEs. ▪ Featured 17 IWE in NACCA's Role Model Campaign and presented each with a \$1,000 grant to celebrate International Women's Day. ▪ Established an Indigenous Youth Business Advisory Council, holding several virtual events. ▪ 12 AFIs signed MOUs with Futurpreneur Canada to support youth entrepreneurship.

Strategic Directions	Achievements in 2020-21
Manage and use NACCA's program information by improving its information management systems and using information to drive program and product development.	<ul style="list-style-type: none"> Continued upgrading NACCA's reporting database to improve the collection of and reporting on results. Continued supporting the transition of AFIs to a common FaasBank loan management system.
Help members build capacity by publishing leading practices, implementing new tools and systems, and dedicating resources to accommodate various tiers of AFIs.	<ul style="list-style-type: none"> Developed five AFI success stories for the Indigenous Women's Entrepreneurship Initiative. Equipped 20 AFIs with a subscription to Equifax Canada, providing them with enhanced credit rating services. Linked up 21 AFIs to IBIS World Canada Business Reports, providing members with comprehensive business intelligence services. Further upgraded NACCA's reporting database to improve collection and reporting on results. Offered NACCA's first grant program, which supported the investment readiness capacity of 18 AFIs and expanded resources and services to clients.

Indigenous Women's Entrepreneurship

Indigenous women are, and always have been, at the very heart of our communities. As key contributors to the Indigenous entrepreneurship ecosystem and the AFI market, Indigenous women represent valuable investments for communities and investors – yet they continue to face additional barriers to entrepreneurship. Recognizing this, NACCA made supporting Indigenous women entrepreneurs a priority of its Strategic Plan.

In 2019, NACCA received funding of \$1.2 million from Innovation, Science and Economic Development (ISED) Canada to launch an Indigenous Women's Entrepreneurship (IWE) Program. Guided by a working group of AFI representatives across Canada, the goal of the program is to increase the number of Indigenous women engaging in entrepreneurship by at least 50 percent by 2025. The program's first step was research. Working with Anishinaabe consultant Helen Bobiwash, NACCA published a literature review, national survey of 115 Indigenous women entrepreneurs and a summary report on key findings and recommendations in July 2020.

The next stage was to develop tools, resources, workshops and training to support Indigenous women entrepreneurs.

I loved how the workshop gathered like-minded women who encouraged and inspired others. The material was very useful and put together nicely.

Workshop Participant, Indian Agriculture Program of Ontario

Indigenous Women's Entrepreneurship

In the summer of 2020, NACCA collaborated with the Native Women's Association of Canada to produce financial capability workbooks for Indigenous women. Other tools developed included self-assessment guides, a business planning guide, a role model campaign, a microloan framework, and workshop modules for AFIs to deliver to Indigenous women in their areas.

Loved the way all women from all nations are empowering each other.

Workshop Participant, Nuu-Chah-Nulth Business Development Corporation

Delivery of the workshops had not been foreseen for the 2020-21 fiscal year. However, when ISED offered top-up funding for measures to assist in COVID-19 recovery, NACCA proposed that interested AFIs be funded to deliver workshops to support Indigenous women entrepreneurs in starting, growing, or pivoting their businesses in the COVID recovery period. The workshops also aimed to provide general tools, resources and networking opportunities.

NACCA expected up to 10 AFIs to express interest, hoping to reach up to 100 Indigenous women entrepreneurs by March 31, 2021. In both interest and enthusiasm, the



workshops far exceeded expectations. Fifteen AFIs delivered a total of 18 workshops, reaching 308 First Nations, Inuit, and Métis women in all regions of Canada. Ninety-six percent of the 210 participants who evaluated the workshops expressed high or very high levels of satisfaction. Both AFIs and participants wished to stay in touch and support one another, and saw a need for further such events in the future.



In Budget 2021, NACCA and the network received an additional \$22 million over three years to continue and expand the work of the IWE program. In light of the great appetite for its tools, resources, and

workshops so far, NACCA plans to offer them to other AFIs in the network. We will also introduce an IWE microloan program and dedicated IWE personnel at the AFI level, while continuing to develop tools and resources at the national level.

Top Right: Training session for IWE business officers from AFIs across Canada. Pictured with Magnolia Perron, Indigenous Women and Youth Team Lead for NACCA. **Bottom Left:** Professor and Elder Claudette Commanda, Kitigan Zibi Anishinabeg First Nation. **Photos:** Fred Cattroll

Priority 2: Inspiring Confidence in the Network

In its Strategic Plan, NACCA committed to telling the network's story to decision-makers and potential partners, as well as members, potential clients and the public. NACCA will build relationships to amplify the network's influence at policy tables, and seek partnerships with like-minded organizations to improve its training and capacity-building. Finally, the Strategic Plan commits NACCA to enhancing its reputation by obtaining certification of its internal processes.

Strategic Directions	Achievements in 2020-2021
<p>Tell the network's story to the government, other lenders, and the public by sending out a delegation of NACCA's most experienced lenders, participating in national events, and taking guest speaking and other opportunities to get the word out.</p>	<ul style="list-style-type: none"> ▪ Appeared at virtual webinars, conferences, media interviews and parliamentary committee hearings (see page 32 below). ▪ With the Canadian Council for Aboriginal Business and National Indigenous Economic Development Board, conducted two surveys to understand needs and advocate for Indigenous businesses throughout the COVID-19 crisis. ▪ Participated in OECD discussions of the impacts of COVID-19 on Indigenous businesses, explaining how the network has helped address them.
<p>Foster beneficial relationships with other Indigenous organizations, federal and provincial politicians, departments beyond INAC and Industry, non-Indigenous professional associations and the private sector.</p>	<ul style="list-style-type: none"> ▪ Took part in the COVID-19 Indigenous Business Taskforce initiated by the federal government. ▪ Played a key role on the Indigenous Procurement Working Group, seeking ways to implement a federal five percent procurement target. ▪ With the Indigenous Business Circle, drafted a <i>National Indigenous Economic Strategy</i>. ▪ Partnered with Native Women's Association of Canada, Women's Entrepreneurship Knowledge Hub, CPA Canada, Pow Wow Pitch and others to support women's and youth initiatives. ▪ Held meetings with an expanding range of ministers, parliamentarians, departments, agencies and Crown corporations. ▪ Cultivated a partnership with the Chartered Professional Accountants Canada. ▪ Established the AFI network as a leading example of social finance and social innovation via activities.
<p>Improve communications with AFIs through regular technical conferences, improving the website, and enhancing the Association's social media presence.</p>	<ul style="list-style-type: none"> ▪ Intensified outreach to AFIs through newsletters, Q and As, webinars and virtual meetings in response to the COVID-19 economic crisis. ▪ Developed a dedicated COVID-19 section with information and resources on NACCA's website. ▪ Further built NACCA's social media presence on various platforms.

Media, Communications and Events

This past fiscal year, NACCA sought mainly to identify what Indigenous businesses would require to survive and recover from the COVID-19 crisis and to get the message out to decision-makers. To this end, NACCA's Board and CEO held meetings with federal ministers, members of Parliament, private sector representatives and research organizations – as well as with other Indigenous organizations. In addition to such meetings, NACCA took part in several media appearances and events. The following appearances were published:

April 2020: NACCA CEO Shannin Metatawabin took part in an Aboriginal Peoples Television Network interview to discuss the Prime Minister's announcement of the \$307 million Indigenous Business Stabilization Program responding to the COVID-19 crisis.

May 2020: Shannin testified before the House of Commons Standing Committee on Indigenous and Northern Affairs on the impact of the COVID-19 measures on Indigenous business in Canada.

June 2020: Shannin testified before the Senate Committee on National Finance on the adequacy of measures to relieve the impact of COVID-19 on Indigenous business, and took part in an RBC roundtable on economic recovery in Indigenous communities.

August 2020: Shannin spoke to TheFutureEconomy.ca about investing in long-term Indigenous business success and in the AFI network to recover from the COVID-19 crisis and realize long-term Indigenous prosperity.

September 2020: NACCA Board Chair Jean Vincent spoke to TheFutureEconomy.ca about the importance of increasing Indigenous access to business and housing capital, now and beyond COVID-19. NACCA CEO Shannin Metatawabin took part in the Business Recovery Forum hosted by the Canadian Council for Aboriginal Business.

November 2020: Shannin testified before the House of Commons Standing Committee on Indigenous and Northern Affairs on the support required to Indigenous businesses through a second wave of COVID-19 and took part in a CBC interview on the topic.

December 2020: Shannin took part in an OECD webinar on the impacts of COVID-19 on Indigenous businesses, explaining how the network is helping address them in Canada.

Priority 3: Expanding AFI Financing

NACCA identified securing new capital for the network– both loan and equity capital – as a core strategic priority. The Strategic Plan commits the Association to developing and distributing the case for further investment; sending a delegation of experienced lenders to decision-makers; and identifying social financing umbrellas that could allow the AFI network to become a leader in socially responsible investment. The Association has also committed to working with its TAG Working Group to maximize the benefits of the capital the network already receives.

Strategic Directions	Achievements in 2020-2021
<p>Seek new capital for the network, including accompanying program funding, by: developing and distributing the investment case for the network's developmental financing; sending out a delegation of experienced lenders to decision-makers; and identifying social financing umbrellas.</p>	<ul style="list-style-type: none"> ▪ Worked with AFIs to obtain and implement the \$307 million Indigenous Business Stabilization Program (ISP), responding to impacts of COVID-19. ▪ Contracted with 37 AFIs to roll out an Emergency Loan Program under the IBSP, providing \$140 million in COVID-19 relief funding to businesses. ▪ Established a legal and governance structure for NACCA's Indigenous Growth Fund and completed its first close of \$150 million in March 2021. ▪ Gained additional federal funding of \$42 million over three years for the Aboriginal Entrepreneurship Program, announced in Budget 2021. ▪ Obtained \$22 million over three years to support the Indigenous Women's Entrepreneurship Program, announced in Budget 2021.
<p>Optimize the use of existing capital by developing a tiered approach to allocating capital among AFIs.</p>	<ul style="list-style-type: none"> ▪ Extended ABFP and ADLA programming to further network members.
<p>Promote diversifying the network's funding sources by allowing AFIs to support projects exceeding \$250,000, developing tools that will enable them to expand, and facilitating their exploration of options in social finance, innovation and housing.</p>	<ul style="list-style-type: none"> ▪ Explored participation of the AFI network in an Indigenous market housing finance project, spearheaded by ABSCAN in Quebec. ▪ Under NACCA's Investment Readiness Initiative funded by Employment and Social Development Canada, awarded 18 AFIs grants totalling over \$2M.

Indigenous Growth Fund

In March 2021, the long-anticipated Indigenous Growth Fund (IGF) became a reality: the IGF completed its first close of \$150 million. Canada's newest and largest Indigenous social impact fund will be managed by NACCA, and accessed by AFIs – with their over 30-year track-record in developmental lending – to make business loans to Indigenous entrepreneurs throughout the country. The IGF's open-ended fund structure will provide institutional and social impact investors with an investment vehicle that will allow them to contribute directly to economic reconciliation. The model will benefit AFIs and NACCA by “hard-wiring” in sustainability and a long-term structure, allowing the network to grow the fund as needed and recycle capital.

The IGF was born of a partnership between the network and the federal government. The Government of Canada and Business Development Bank of Canada provided the first \$100 million investment, followed by further commitments from Export Development Canada and Farm Credit Canada. Over the past fiscal year, ESDC provided capacity development support

under the Investment Readiness Program to establish the Fund's legal and governance structure. The BDC was integral to bringing the Fund to fruition, by leading negotiations on behalf of corporations and supporting NACCA with additional resources.

NACCA accepted the first applications from AFIs late in 2021 and made its first disbursements under the Fund early in 2022. The Fund will provide access to the capital that Indigenous small- and medium-sized enterprises have long sought and lacked. Once it is fully used, it will increase AFI lending by \$75 million annually, providing loans to roughly 500 Indigenous businesses.

The Indigenous Growth Fund is an excellent example of business, government, and Indigenous partners coming together to strengthen the Indigenous economy and create jobs. This Fund will play a crucial role in making affordable capital more readily available to Indigenous entrepreneurs. I am very pleased that ISC's Aboriginal Entrepreneurship Program will play an important role in supporting Indigenous entrepreneurs and the network of Aboriginal Financial Institutions as they access the Fund.”

*The Honourable Marc Miller,
Minister of Indigenous Services*

We are excited to see the IGF become a reality. AFIs know Indigenous entrepreneurs better than anyone; they are close to the Indigenous communities and understand their needs. Alongside NACCA, we are providing through these AFIs financing for a growing number of Indigenous entrepreneurs, reaching in the remote and urban communities where financing is needed.

*Michael Denham, former
President and CEO, Business
Development Bank of Canada*

Priority 4: Assessing and Building on the Network's Success

The AFI network has had a significant impact on Indigenous business development in Canada. Yet there is still scope better to understand, benchmark and measure the network's successes and to cultivate leading AFI practices as norms. The Strategic Plan commits NACCA to sharing leading practices of AFIs at conferences, events and online. The Association will also assess the network's impact on Indigenous business by collecting and analyzing relevant data about its activities.

NACCA's board has committed to investing in the network by funding quality management systems (e.g. ISO) for interested AFIs and tailoring capacity resources to assist AFIs in meeting this goal. NACCA has actively been seeking ISO-9001 certification over the past two years.

Strategic Directions	Achievements in 2020-21
Share leading practice of AFIs by identifying and publicizing them at conferences, major national events and online.	<ul style="list-style-type: none"> ▪ Developed five AFI success stories in promoting Indigenous women entrepreneurs. ▪ Took part in a Pow Wow pitch panel introducing Indigenous entrepreneurs to AFI offerings.
Assess the network's impact on Indigenous business in Canada by collecting and analyzing relevant data about the network's activities.	<ul style="list-style-type: none"> ▪ Added Emergency Loan data to NACCA's roster of databases. ▪ Further developed a study of the socio-economic impact of AFIs with Conference Board of Canada, with release expected in 2022.
Develop, adopt and promote standards for the network by developing criteria for a tiered allocation approach, offering AFI certification and pursuing certification for NACCA within the next year.	<ul style="list-style-type: none"> ▪ With the TAG working group, finalized a new logic model to deliver the Aboriginal Entrepreneurship Program. ▪ With the TAG working group, identified program enhancements to increase the efficiency of NACCA program delivery. ▪ With the Harvard Business School Executive Education Program, finalized details of delivering a customized training program to AFIs as soon as COVID-19 travel restrictions ease. ▪ Underwent final external audit to obtain ISO 9001 certification.
Invest in members' pursuit of certification and target capacity development funding to assist them in achieving it.	<ul style="list-style-type: none"> ▪ Took part in ESDC's 2-year Investment Readiness Program, increasing the readiness of NACCA and 18 AFIs to participate in the social finance market.

Investment Readiness Program

Funded by the Government of Canada, NACCA fulfilled its two-year commitment as a Readiness Support Partner within the Investment Readiness Program (IRP) ecosystem. In June 2020, 18 AFIs were awarded grants through NACCA's Investment Readiness Initiative, the first grant program that NACCA has offered to the network. Using IRP



funding, participating AFIs undertook activities to ready themselves for future impact investment capital, and to strengthen the Indigenous business clients they serve while building new deal-flow.

AFIs provided mentorship and support services to their clients, and six AFIs developed and hosted 68 workshops with a total of 537 participants over the course of the program. Many participants developed client support materials including financial literacy resources specific to their clientele, business planning tools, and accounting and bookkeeping resources. NACCA's Investment Readiness Initiative helped AFIs address their capacity needs: the program resulted in nine additional loans or business development officers being hired to support existing and new clients.

Importantly, the Investment Readiness Initiative offered NACCA a touchpoint on program delivery amidst the COVID-19 pandemic. Of the seventeen participant AFIs that reported on this program, all stated that loan demand in their service areas will exceed their available capital over the next five years; only eight AFIs reported having the organizational capacity to meet that demand. Lack of capacity may pose barriers to accessing future capital. With significantly more access to capital on the horizon for AFIs, NACCA's Investment Readiness Initiative spotlighted the AFIs' unique ability to create high-quality programming and resources for clients. It also provided NACCA with insight into the network's short and longer-term needs.



Top Left/Bottom Right: Participants in the regional workshop of the Indigenous Women's Entrepreneurship Program. Photos: RC Equina.

Reaching New Heights



The past year has shown that Indigenous business owners continue to face challenges in accessing capital. In 2020-21, as before, the network had to assert once again the right of our peoples to obtain tailored, Indigenous-led supports rather than be left behind by general initiatives. The past year also showed that the marginalization of our peoples cannot continue. For moral, legal and political reasons, Indigenous economies must thrive if the larger Canadian economy is to do the same.

Budget 2021's investments in Indigenous entrepreneurship indicates that the Government of Canada received the message. The country's prosperity depends on Indigenous prosperity. Of the \$18 billion in investments in Indigenous people overall, three in particular will enable the network to continue its work:

Additional \$42 million over three years for the Aboriginal Entrepreneurship Program, ensuring that the AFI network will be prepared to administer the greater volume of loans that it will issue under the Indigenous Growth Fund.

\$22 million over three years to continue our Indigenous Women's Entrepreneurship Program. The initiative will allow our network to tailor its lending to Indigenous women seeking to start or expand their businesses, and will include a new microloan fund.

Commitment to meet Canada's procurement target of five percent of federal contracts awarded to businesses managed and led by Indigenous people. These commitments, once met, will be crucial to making Indigenous prosperity a reality.

Building on these commitments set out in the budget, our next task will be to ensure that our network will have the institutional infrastructure it will need to deliver on its mounting responsibilities.

2022 and Beyond

For Indigenous, by Indigenous. Over and again, our network has shown that Indigenous organizations are best positioned to serve as lenders to Indigenous businesses. This truth remains uppermost in our minds as we develop our next five-year strategic plan and negotiate our next funding agreement for the Aboriginal Entrepreneurship Program.

We have achieved much over the past five years, making tangible gains in each strategic priority area. Our 2022-27 strategic plan is now under development, to be completed by the end of this fiscal year. As with the last plan, NACCA's Board is developing this one collectively with AFIs. Its priorities – which have yet to be established – will guide our work over the next five years.

In the meantime, five priorities are bridging us over this transitional year of 2021-22.

- 1. Developing AFI capacity.** AFIs are crucial to helping Indigenous people in their regions move from poverty to prosperity. Interested AFIs will be supported to attend our customized Harvard Business School program as soon as COVID-19 restrictions ease. NACCA is lobbying government to replace short-term, discretionary programs with the long-term, sufficient and flexible funding that our network requires to fulfill its growing responsibilities.
- 2. Renewal and resourcing of the Aboriginal Entrepreneurship Program (AEP).** This is a key priority, where the current AEP authorities expire in March 2022. Since the 1990s, Canada has reduced the AEP's funding from \$85 to \$30 million, leaving our network largely to absorb its own overhead. The network has reformed the logic model and identified modifications to enhance the AEP's efficiency with the TAG Working Group. NACCA will also strive to ensure that the program renewal reflects the principles of sufficiency and Indigenous control.
- 3. Programming for Indigenous women and youth entrepreneurs.** Under guidance of our IWE Working Group, we are focusing on enhancing the capacity of AFIs to support female Indigenous clients. Specific measures include dedicated business support officers for women at the AFI level; resources for training and workshops; and a micro-loan program enabling AFIs to deliver loans of up to \$20,000 to Indigenous women. Though the youth initiative remains unfunded, NACCA has identified internal funds to conduct research guided by our youth council, which can serve as the basis for future tools, training and workshops.
- 4. The Indigenous Growth Fund.** NACCA has built an IGF team to develop a lending process, application package and loan agreements. The team accepted its first applications in the Fall and made its initial disbursements to AFIs before the end of 2021. Beyond the \$42 million in Budget 2021 – and as part of the AEP renewal – NACCA is seeking the funding that AFIs will need to administer the additional \$75 million in loans issued after the fund is fully subscribed.
- 5. Indigenous procurement.** Despite the federal commitment to a five percent target, Indigenous businesses still receive less than one percent of federal contracts. With other members of the Indigenous Procurement Working Group, NACCA will continue providing research and advice to the federal government on developing a National Indigenous Supply Institute, as well as on legislation, regulations and policy changes to mandate the five percent target. The network will also continue seeking consent from business clients to support an Indigenous-led business directory.

The 2020-21 year tested our network's ability to support our clients, even while facing our own fears and uncertainties. And yet we came through – in some senses stronger than ever – and also delivered on priorities that predated the COVID-19 crisis. We have gained access to the capital that our network has sought for so many years and are working to shore up our capacity to deliver it.

Throughout, our core strength has been our vision, which we have upheld since AFIs were first founded in the 1980s. We promote thriving, prosperous Indigenous businesses by providing equitable access to capital and care. Throughout our territories, in 2022 and beyond, we are breaking a trail to Indigenous prosperity – one business loan at a time.



NACCA

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION

Annex A

Financial Statements

Year Ended March 31, 2021

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION

FINANCIAL STATEMENTS

Year ended March 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members of the National Aboriginal Capital Corporations Association

Opinion

We have audited the accompanying financial statements of National Aboriginal Capital Corporations Association (NACCA), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National Aboriginal Capital Corporations Association (NACCA) as at March 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

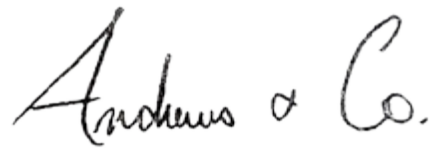
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

INDEPENDENT AUDITOR'S REPORT, CONTINUED

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ottawa, Ontario
August 26, 2021



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NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
As at March 31, 2021

	Unrestricted Fund	Internally Restricted Fund	Enhanced Access Fund	ADLA	ABFP	IRP	WES	IBSP	2021	2020
CURRENT ASSETS										
Cash (Note 18)	\$ 4,538,895	\$ 132	\$ -	\$ -	\$ -	\$ 1,197,398	\$ 5	\$ 23,255,340	\$ 28,991,770	\$ 13,117,043
Funding receivable	-	-	-	-	-	-	300,471	-	300,471	547,500
Short-term investments (Note 5)	-	1,867,469	-	-	-	-	-	-	1,867,469	-
Accounts receivable	240,713	-	-	2,474	269,164	65,000	-	176,865	754,216	924,739
Advances receivable	-	-	-	-	-	-	-	7,614,717	7,614,717	-
Loans receivable (Note 3)	-	-	7,336,270	-	-	-	-	-	7,336,270	5,459,073
Prepaid expenses	327,941	-	-	-	-	-	-	-	327,941	260,465
	<u>5,107,549</u>	<u>1,867,601</u>	<u>7,336,270</u>	<u>2,474</u>	<u>269,164</u>	<u>1,262,398</u>	<u>300,476</u>	<u>31,046,922</u>	<u>47,192,854</u>	<u>20,308,820</u>
LONG-TERM ASSETS										
Capital assets (Note 4)	226,822	-	-	-	-	-	-	-	226,822	29,338
Long-term investments (Note 5)	-	-	-	-	-	-	-	-	-	1,818,325
Emergency loans receivable (Note 6)	-	-	-	-	-	-	-	97,508,178	97,508,178	-
Investment in subsidiary company (Note 7)	1,836,591	-	-	-	-	-	-	-	1,836,591	155,549
	<u>2,063,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,508,178</u>	<u>99,571,591</u>	<u>2,003,212</u>
TOTAL ASSETS	<u>\$ 7,170,962</u>	<u>\$ 1,867,601</u>	<u>\$ 7,336,270</u>	<u>\$ 2,474</u>	<u>\$ 269,164</u>	<u>\$ 1,262,398</u>	<u>\$ 300,476</u>	<u>\$ 128,555,100</u>	<u>\$ 146,764,445</u>	<u>\$ 22,312,032</u>
CURRENT LIABILITIES										
Accounts payable and accrued liabilities	\$ 591,920	\$ -	\$ 497,132	\$ 1,223,485	\$ -	\$ 47,213	\$ -	\$ 15,352,526	\$ 17,712,276	\$ 4,315,544
Deferred contributions (Note 10)	1,510,753	-	-	-	-	1,219,751	-	6,573,275	9,303,779	4,393,976
IBSP NACCA deferred operating contributions	-	-	-	-	-	-	-	1,093,789	1,093,789	-
Interfund (Note 18)	2,405,606	138,234	(2,046,313)	(1,221,011)	422,189	(4,566)	329,304	(23,443)	-	-
	<u>4,508,279</u>	<u>138,234</u>	<u>(1,549,181)</u>	<u>2,474</u>	<u>422,189</u>	<u>1,262,398</u>	<u>329,304</u>	<u>22,996,147</u>	<u>28,109,844</u>	<u>8,709,520</u>
LONG-TERM LIABILITIES										
Emergency loan payable (Note 6)	-	-	-	-	-	-	-	105,558,953	105,558,953	-
Unamortized external capital contributions (Note 8)	16,956	-	-	-	-	-	-	-	16,956	29,338
	<u>16,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,558,953</u>	<u>105,575,909</u>	<u>29,338</u>
TOTAL LIABILITIES	<u>4,525,235</u>	<u>138,234</u>	<u>(1,549,181)</u>	<u>2,474</u>	<u>422,189</u>	<u>1,262,398</u>	<u>329,304</u>	<u>128,555,100</u>	<u>133,685,753</u>	<u>8,738,858</u>
FUND BALANCE	<u>2,645,727</u>	<u>1,729,367</u>	<u>8,885,451</u>	<u>-</u>	<u>(153,025)</u>	<u>-</u>	<u>(28,828)</u>	<u>-</u>	<u>13,078,692</u>	<u>13,573,174</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,170,962</u>	<u>\$ 1,867,601</u>	<u>\$ 7,336,270</u>	<u>\$ 2,474</u>	<u>\$ 269,164</u>	<u>\$ 1,262,398</u>	<u>\$ 300,476</u>	<u>\$ 128,555,100</u>	<u>\$ 146,764,445</u>	<u>\$ 22,312,032</u>

The accompanying notes are an integral part of the financial statements.

Approved:

Director, Wayne J.L. Flamand

Director, Jean Vincent

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
STATEMENT OF OPERATIONS
Year ended March 31, 2021

	Unrestricted Fund	Internally Restricted Fund	Enhanced Access Fund	ADLA	ABFP	IRP	WES	IBSP	2021	2020
REVENUE										
ISC funding	\$ 3,205,268	\$ -	\$ 80,000	\$ 3,783,730	\$ 24,938,280	\$ -	\$ -	\$ -	\$ 32,007,278	\$ 31,748,874
ISC funding - IBSP stimulus	-	-	-	-	-	-	-	12,737,754	12,737,754	-
ISC funding - IBSP AFI operating	-	-	-	-	-	-	-	13,968,917	13,968,917	-
ISC funding - IBSP NACCA operating	-	-	-	-	-	-	-	706,211	706,211	-
ESDC funding	-	-	-	-	-	1,810,121	-	-	1,810,121	294,592
FedDev Ontario funding	-	-	-	-	-	-	651,108	-	651,108	211,815
Amortization of external capital contributions	15,894	-	-	-	-	-	-	-	15,894	34,224
Conference income	-	-	-	-	-	-	-	-	-	301,818
Interest and other income	159,687	49,144	-	-	-	3,712	37	12,995	225,575	457,188
Membership fees	153,000	-	-	-	-	-	-	-	153,000	153,000
	<u>3,533,849</u>	<u>49,144</u>	<u>80,000</u>	<u>3,783,730</u>	<u>24,938,280</u>	<u>1,813,833</u>	<u>651,145</u>	<u>27,425,877</u>	<u>62,275,858</u>	<u>33,201,511</u>
PROGRAM COSTS										
ABFP equity	-	-	-	-	21,789,809	-	-	-	21,789,809	18,896,871
ABFP operating support cost	-	-	-	-	3,301,496	-	-	-	3,301,496	3,874,096
ADLA costs	-	-	-	3,783,730	-	-	-	-	3,783,730	5,293,684
Enhanced access	-	-	427,529	-	-	-	-	-	427,529	329,878
IBSP stimulus costs	-	-	-	-	-	-	-	12,737,754	12,737,754	-
IBSP operating support cost	-	-	-	-	-	-	-	13,968,917	13,968,917	-
IRP costs	-	-	-	-	-	1,413,041	-	-	1,413,041	-
WES costs	-	-	-	-	-	-	250,156	-	250,156	-
Interest rate buy down	174,957	-	-	-	-	-	-	-	174,957	152,382
ACDP costs	625,084	-	-	-	-	-	-	-	625,084	1,118,833
Research and program development	368,913	-	-	-	-	-	-	-	368,913	167,481
	<u>1,168,954</u>	<u>-</u>	<u>427,529</u>	<u>3,783,730</u>	<u>25,091,305</u>	<u>1,413,041</u>	<u>250,156</u>	<u>26,706,671</u>	<u>58,841,386</u>	<u>29,833,225</u>
	<u>2,364,895</u>	<u>49,144</u>	<u>(347,529)</u>	<u>-</u>	<u>(153,025)</u>	<u>400,792</u>	<u>400,989</u>	<u>719,206</u>	<u>3,434,472</u>	<u>3,368,286</u>
EXPENSES										
AEP committee	18,087	-	-	-	-	-	-	-	18,087	77,201
Advertising and promotion	132,063	-	-	-	-	-	24,987	1,414	158,464	61,942
Amortization (Notes 2 & 4)	15,894	-	-	-	-	-	-	-	15,894	34,224
Audit and legal	66,284	-	-	-	-	2,487	2,944	-	71,715	112,498
Bank and processing fees	2,633	-	-	-	-	-	-	4,758	7,391	17,368
Board (Schedule 1)	97,640	-	-	-	-	-	-	-	97,640	331,571
Conference	-	-	-	-	-	-	-	-	-	301,397
IT upgrade	46,735	-	-	-	-	-	-	-	46,735	20,604
Insurance	10,270	-	-	-	-	-	-	-	10,270	12,112
Office and administration	87,937	-	-	-	-	-	193	26,591	114,721	76,366

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NON-CONSOLIDATED STATEMENT OF OPERATIONS
Year ended March 31, 2021

	Unrestricted Fund	Internally Restricted Fund	Enhanced Access Fund	ADLA	ABFP	IRP	WES	IBSP	2021	2020
Professional fees	452,434	-	-	-	-	146,536	221,823	493,364	1,314,157	533,019
Rent	215,943	-	-	-	-	7,559	13,429	-	236,931	99,963
Staff recruitment and relocation	767	-	-	-	-	-	-	-	767	11,536
Staff training and development	24,559	-	-	-	-	-	-	-	24,559	24,519
Telephone and utilities	31,053	-	-	-	-	1,526	2,220	-	34,799	23,678
Translation	3,762	-	-	-	-	-	4,020	1,548	9,330	2,777
Travel and accommodation	10,605	-	-	-	-	-	-	-	10,605	268,744
Wages and benefits (Note 11)	1,180,786	-	-	-	-	242,684	131,373	191,531	1,746,374	1,571,212
	<u>2,397,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,792</u>	<u>400,989</u>	<u>719,206</u>	<u>3,918,439</u>	<u>3,580,731</u>
OTHER EXPENSE										
Loss on investment in subsidiary company (Note 7)	10,515	-	-	-	-	-	-	-	10,515	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (43,072)</u>	<u>\$ 49,144</u>	<u>\$ (347,529)</u>	<u>\$ -</u>	<u>\$ (153,025)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (494,482)</u>	<u>\$ (212,445)</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
STATEMENT OF FUNDS BALANCES
Year ended March 31, 2021

	Unrestricted Fund	Internally Restricted Fund	Externally Restricted						2021	2020
			Enhanced Access Fund	ADLA	ABFP	IRP	WES	IBSP		
BALANCE, BEGINNING OF YEAR	\$ 488,799	\$ 3,880,223	\$ 9,232,980	\$ -	\$ -	\$ -	\$ (28,828)	\$ -	\$ 13,573,174	\$ 13,785,619
Excess of revenues over expenditures	(43,072)	49,144	(347,529)	-	(153,025)	-	-	-	(494,482)	(212,445)
Interfund transfer (Note 9)	2,200,000	(2,200,000)	-	-	-	-	-	-	-	-
BALANCE, ENDING OF YEAR	<u>\$ 2,645,727</u>	<u>\$ 1,729,367</u>	<u>\$ 8,885,451</u>	<u>\$ -</u>	<u>\$ (153,025)</u>	<u>\$ -</u>	<u>\$ (28,828)</u>	<u>\$ -</u>	<u>\$ 13,078,692</u>	<u>\$ 13,573,174</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
STATEMENT OF CASH FLOWS
Year ended March 31, 2021

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ (494,482)	\$ (212,445)
Items not effecting cash		
Amortization	15,894	34,224
Amortization of external capital contributions	(15,894)	(34,224)
Loss on investment in subsidiary	10,515	-
Provision for impaired loans	162,238	116,100
Reinvested interest on investments	(49,144)	-
Total adjustments	<u>123,609</u>	<u>116,100</u>
	(370,873)	(96,345)
Change in non-cash working capital items		
Prepaid expenses	(67,476)	(234,040)
Accounts payable and accrued liabilities	13,396,732	1,899,207
Funding receivable	247,029	2,844,500
Accounts receivable	170,523	181,218
Deferred contributions	6,003,592	3,738,975
IBSP advances receivable	(7,614,717)	-
	<u>11,764,810</u>	<u>8,333,515</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to capital assets	(213,379)	(15,056)
Deferred capital contribution received	3,512	15,056
Advance to subsidiary company	(1,691,557)	(155,449)
Issuance of new EAF loans	(2,841,556)	(2,073,442)
Repayments of EAF loans	802,122	908,864
Issuance of repayable IBSP emergency loans	(97,508,178)	-
Sale of short-term investments	-	3,722,751
Purchase of long-term investments	-	(1,818,325)
Purchase of subsidiary common shares	-	(100)
	<u>(101,449,036)</u>	<u>584,299</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from IBSP emergency loan program	152,000,000	-
Non-repayable portion of IBSP emergency loan program	(46,441,047)	-
	<u>105,558,953</u>	<u>-</u>
INCREASE IN CASH AND CASH EQUIVALENTS	15,874,727	8,917,814
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,117,043</u>	<u>4,199,229</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 28,991,770</u>	<u>\$ 13,117,043</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2021

1. NATURE OF OPERATIONS

National Aboriginal Capital Corporations Association (NACCA), incorporated under the Canada Corporations Act to facilitate the provision of products and services to Aboriginal Financial Institutions (AFIs), is a not-for-profit corporation without share capital and is exempt from taxation under paragraph 149(1)(l) of the Federal Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Fund accounting

The association uses fund accounting for financial reporting purposes.

The Internally Restricted Funds consist of funds received from National Aboriginal Capital Corporations Support Incorporated (NACSI) upon its dissolution. The organization has chosen to internally restrict the funds. Future decisions on the use of the funds will be made by the NACCA Board of Directors. The fund includes internally restricted investments and reports the investment income received on these investments. In late 2019, the NACCA Board of Directors agreed to move ahead with a plan to use a portion of these restricted funds, currently held in GICs, to invest in real estate. This move from GICs to real estate provides the Association and its members with a stronger investment base. In the current year, the NACCA Board approved the purchase of an office building in downtown Ottawa within a subsidiary holding corporation (Notes 2(h), 7 and 9).

The Unrestricted Fund accounts for the daily operating activities of the association, the Aboriginal Capacity Development Program (ACDP) and the Interest Rate Buy-down Program (IRB). The Aboriginal Capacity Development Program (ACDP) builds the capacity of AFIs to deliver better lending services to Aboriginal businesses served. The Interest Rate Buy-Down (IRB) helps lower interest costs related to accessing additional capital. The Unrestricted fund includes the revenue, expenses, assets, liabilities and net assets of the other operations of the association including interest income, membership fees and conference income which is recognized when earned.

The Enhanced Access (EA) loan fund provides 0% interest loans to participating Aboriginal Financial Institutions to fund loan capital to viable, qualified, Aboriginal businesses for areas not serviced by AFIs across Canada. The Enhanced Access Fund reports the revenue, expenses, assets and net assets of the fund's activities.

The Aboriginal Developmental Lending Assistance (ADLA) relates to the association's program destined to enhance the capacity of individual AFI's by contributing funds to alleviate the cost of providing, managing and deploying developmental loans. The ADLA Fund reports the revenue, expenses, assets and net assets of the fund's activities.

The Aboriginal Business Financing Program (ABFP) relates to the association's program destined to increase the number of Aboriginal businesses in Canada by offering non-repayable contributions to eligible Aboriginal entrepreneurs and community-owned Aboriginal businesses. The ABFP Fund reports the revenue, expenses, assets and net assets of the fund's activities.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The above funds are a suite of products and services under the title of Aboriginal Entrepreneurship Program (AEP) which is funded by Indigenous Services Canada (ISC).

The Investment Readiness Program (IRP) is a pilot program that aims to promote access to new forms of social finance funding for social purpose organizations. The program is delivered via grants to AFIs to ready them for access to impact investment capital through the Indigenous Growth Fund (IGF). This is funded by Employment and Social Development Canada (ESDC) and the maximum contribution available is \$3.3 million until project completion on June 30, 2021.

The Indigenous Women's Entrepreneurship Initiative (WES) is a four-year project aiming to increase the number of Indigenous women engaging in entrepreneurship and business development in Canada. This is funded by the Federal Economic Development Agency for Southern Ontario (FedDev Ontario) and the maximum contribution available is \$1.2 million until project completion on March 31, 2023. During the current year an additional \$250,000 was received for COVID-19 support.

The Indigenous Business Stabilization Program (IBSP) relates to the association's program destined to support Indigenous businesses and AFIs impacted by COVID-19. This is funded by ISC. The program consists of the Emergency Loan Program (ELP), the interest relief and contingency fund program:

Emergency Loan Program

To provide Indigenous owned businesses impacted by COVID-19 with interest-free term loans and a non-repayable contribution to support their immediate working capital and operational needs. The program is to be administered by AFIs until 2025.

Interest Relief and Contingency Fund

To provide Aboriginal Financial Institutions (AFIs) with non-repayable contributions to cover their loss on interest income and uncollectible debts.

(b) Revenue recognition

The association follows the restricted fund method of accounting for contributions. The association has eight funds, and revenue recognition is as described in Note 2(a).

Restricted contributions for activities other than through the restricted funds are recognized as revenue of the Unrestricted fund in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis.

(c) Cash and cash equivalents

Cash and cash equivalents are defined as cash, bank overdrafts, and short term deposits with term maturity of three months or less at the date of purchase.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial assets and liabilities

(i) Measurement of financial instruments

The association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions that are measured at the carrying amount or exchange amount, as appropriate.

The association subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess (deficiency) of revenues over expenditures in the period incurred.

Financial assets measured at amortized cost include cash, term deposits, accounts receivable, funding receivable and long term investments. Enhanced access fund loans receivables are carried at the amount disbursed less principal repayments and provisions for loan impairment sufficient to reduce their carrying amount to estimated realizable amounts, which approximate fair value.

Investments in common shares of a controlled subsidiary are recognized using the equity method.

Financial liabilities measured at amortized cost include accounts payable, and accrued liabilities.

(ii) Impairment

For financial assets measured at cost or amortized cost, the association determines whether there are indications of possible impairment. When there is an indication of impairment, and the association determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess (deficiency) of revenues over expenditures. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess (deficiency) of revenues over expenditures.

(iii) Transaction costs

Transaction costs are recognized in income in the period incurred, except for financial instruments that will be subsequently measured at amortized cost.



NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(e) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to the financial statements. These estimates are based on management's best knowledge of current events and actions that the association may undertake in the future. Actual results could differ from those estimates. Significant estimates include the allowance for impaired loans, amortization of fixed assets and accrued interest on short and long-term investments.

(f) Capital assets

Capital assets, which include computer equipment and furniture and fixtures are amortized over their estimated useful lives according to the straight-line method over a period of 3 years.

Leasehold improvements are amortized using the straight-line basis over the term of the lease.

(g) Allowance for impaired loans

The association maintains a general allowance for impaired loans that reduces the carrying value of the EA receivable portfolio to its estimated realizable value.

The allowance for loan losses is updated annually with estimates prepared by management based on historical loan loss experience in the Enhanced access loan portfolio.

(h) Investment in subsidiary company

The equity method is used to account for the association's investment in its wholly owned subsidiary company. This method of accounting brings into consolidated earnings the company's share in earnings of the subsidiary corporation, which is also added to the carrying value of the investment. The excess of cost over the underlying share of equity in the investment since the date of acquisition is being amortized against the company's share of earnings of the associated corporation.

(i) Related parties

Related party transactions are in the normal course of operations and have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2021

3. LOANS RECEIVABLE

	2021	2020
Loans receivable	\$ 8,111,893	\$ 6,072,459
Less: Allowance for impaired loans	<u>(775,623)</u>	<u>(613,386)</u>
	<u>\$ 7,336,270</u>	<u>\$ 5,459,073</u>

Enhanced access loans (EA) are made to participating Aboriginal Financial Institutions to fund loans to Aboriginal businesses under the terms of the fund's agreement with the Government of Canada. During the year, the association receives or becomes entitled to funding from the Government of Canada. The association also issues new loans and receives payments from pre-existing loans

The association does not require security from, or charge interest to, participating Aboriginal Financial Institutions who receive EA loans. Loans are due on demand, but participating Aboriginal Financial Institutions are required to repay EA loans when they receive repayment from their clients.

The association also prepares an estimated allowance for impaired loans if deemed necessary, based on historical portfolio performance and specific analysis of each loan.

4. CAPITAL ASSETS

	2021 Cost	2021 Accumulated amortization	2021 Net book value	2020 Net book value
Office equipment	\$ 54,738	\$ 54,738	\$ -	\$ 2,558
Leasehold improvements	209,866	-	209,866	-
Computer equipment	<u>205,639</u>	<u>188,683</u>	<u>16,956</u>	<u>26,780</u>
	<u>\$ 470,243</u>	<u>\$ 243,421</u>	<u>\$ 226,822</u>	<u>\$ 29,338</u>

5. SHORT TERM AND LONG TERM INVESTMENTS

	2021	2020
Term certificate, maturing May 14, 2021 with an interest rate of 2.70%	\$ 1,848,733	\$ 1,800,000
Accrued interest income receivable	<u>18,736</u>	<u>18,325</u>
Total	<u>\$ 1,867,469</u>	<u>\$ 1,818,325</u>



NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2021

6. INDIGENOUS BUSINESS STABILIZATION PROGRAM

The IBSP program includes the emergency loan program (ELP) and the interest relief and contingency fund as described in note 2(a).

The ELP program provides Indigenous owned business impacted by COVID-19 with interest-free term loans and a non-repayable contribution to support their immediate working capital and operational needs. As of December 4, 2020, up to \$60,000 is available to small and medium-sized Indigenous businesses:

- an interest-free loan up to \$40,000
- a non-repayable contribution up to \$20,000

This funding is available to businesses in two segments; the first component is \$40,000 with \$10,000 (or 25 percent) being non-repayable (ELP1) and the second component is \$20,000 with \$10,000 (or 50 percent) being non-repayable (ELP2). A business is only eligible for ELP2 funding if they apply for and receive ELP1 funding.

The emergency loan receivable in the accompanying statements represents the repayable loan contribution due from Indigenous owned businesses. These loans are to be paid back by March 31, 2025. Due to the difficulty in estimating the current portion of these loans, the entire balance is displayed as a long term loan receivable in the financial statements.

The emergency loan payable in the accompanying statements represents the repayable contributions received from ISC during the year that will be repayable to ISC as the corresponding loan receivables are collected. These loans are to be paid back by March 31, 2025. Under the terms of the agreement with ISC, any future defaulted loans receivable by the recipient businesses will not be repayable to ISC, contingent every effort was made to collect the loan. This means NACCA's liability of emergency repayable loans to ISC will not exceed the loans and advances receivable from the Indigenous owned businesses.

Furthermore, no allowance for doubtful accounts or impairment has been considered given the terms of agreement explained above. Any defaulted loan receivable will essentially be forgiven by ISC and the applicable asset and liability will decrease by the same dollar amount with no effect to the statement of operations.

During the year, demand for the ELP2 program exceeded demand for the ELP1 program and thus NACCA received approval for \$9,765,187 of ELP1 funds to be used under ELP2. Due to the different non-repayable rates under each program, 25 percent (the non-repayable rate difference under each segment) of this or \$2,441,047 of loan funding was converted to grant funding. This was completed to ensure the non-repayable ratios and terms specified in the agreement were respected. Therefore, as of year end the repayable portion to ISC is \$105,558,953.

The non-repayable contributions do not show as revenue or program costs in the statement of operations, due to the nature of the contribution being a flow-through type of contribution that is not repayable and the benefit being directly attributed to the Indigenous businesses. The amounts are disclosed on the following page.

As part of its five year commitment to administer the program, NACCA received \$1,800,000 to cover the ongoing costs to deliver the program.

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2021

6. INDIGENOUS BUSINESS STABILIZATION PROGRAM, CONTINUED

Below is a breakdown of funds received and expended under this fund:

	<u>2021</u>
Repayable funding - ELP1	\$ 96,000,000
Repayable funding - ELP2	12,000,000
Non-repayable funding - ELP1	32,000,000
Non-repayable funding - ELP2	12,000,000
AFI interest and contingency fund	19,311,029
AFI operating costs	14,000,000
NACCA operating costs	<u>1,800,000</u>
Funding received	<u><u>\$ 187,111,029</u></u>
	<u>2021</u>
Repayable loans provided - ELP1	\$ 80,626,084
Repayable loans provided - ELP 2	16,882,094
Non-repayable contributions provided - ELP1	26,875,361
Non-repayable contributions provided - ELP 2	16,882,094
Advances provided to become loans	7,614,717
Funds remaining to be provided for loans	3,119,650
Interest and contingency funds provided	12,737,754
Interest and contingency funds deferred	6,573,275
AFI operating costs provided	13,968,917
AFI operating costs to be provided	31,083
NACCA operating costs	719,206
NACCA operating costs deferred	1,093,789
Interest earned on bank account	<u>(12,995)</u>
Funding disbursements	<u><u>\$ 187,111,029</u></u>



NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2021

7. INVESTMENT IN SUBSIDIARY COMPANY

On March 10, 2020, a wholly-owned for profit subsidiary: 2747534 Ontario Corporation was incorporated by the association. This for-profit subsidiary is reported as an investment under the equity method in these financial statements. The purpose of the subsidiary is to operate as a real estate holding corporation owning an office building and leasing space to NACCA and other third party tenants. The balance of the investment is made up of expenses and deposits related to the building that were paid by the association on the subsidiary's behalf.

The accounts of 2747534 Ontario Corporation are not consolidated with the association's financial statements. A financial summary of the non-consolidated entity is as follows:

Summarized Statement of Financial Position	<u>2021</u>	<u>2020</u>
Assets		
Total assets	\$ 2,835,014	\$ 155,549
Liabilities and net assets		
Total liabilities	2,845,429	155,449
Share capital	100	100
Deficiency	<u>(10,515)</u>	<u>-</u>
Total liabilities and net assets	2,835,014	155,549

Summarized Statement of Operations	<u>2021</u>	<u>2020</u>
Total revenues	207,087	-
Total expenses	<u>(217,602)</u>	<u>-</u>
Loss	<u>\$ (10,515)</u>	<u>\$ -</u>

Summarized Statement of Cash Flow	<u>2021</u>	<u>2020</u>
Cash flow from operating activities	219,013	(155,449)
Cash flow from investing activities	(1,118,687)	155,449
Cash flow from financing activities	967,623	100
Cash, beginning of year	100	-
Cash, end of year	<u>68,049</u>	<u>100</u>

During the year, the association entered into transactions with 2747534 Ontario Corporation. The transactions are as follows:

	<u>2021</u>	<u>2020</u>
Payable to NACCA, beginning of year	155,489	-
2747534 Ontario Corp. operating expenses paid by NACCA	36,762	-
Cash paid for building purchase by NACCA	1,654,855	155,489
Rent charged to NACCA	186,253	-
Rent paid by NACCA	<u>(186,253)</u>	<u>-</u>
Payable to NACCA, end of year	1,847,106	155,489
Loss for the year	<u>(10,515)</u>	<u>-</u>
Book value of NACCA investment under equity method	<u>1,836,591</u>	<u>155,489</u>

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2021

7. INVESTMENT IN SUBSIDIARY COMPANY, CONTINUED

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

8. UNAMORTIZED EXTERNAL CAPITAL CONTRIBUTIONS

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 29,338	\$ 48,507
Received during the year	3,512	15,055
Recognized during the year	<u>(15,894)</u>	<u>(34,224)</u>
Balance, end of year	<u>\$ 16,956</u>	<u>\$ 29,338</u>

9. INTERFUND TRANSFER

During the previous fiscal year, the board approved the purchase of a building in the subsidiary company described in note 7. The approval was for a total of \$2,700,000, in which NACCA was approved to transfer \$2,200,000 of internally restricted funds, to the unrestricted fund, to assist with the purchase of the building, closing costs and leaseholds improvements. The approval stipulated that \$1,700,000 would be used directly in the purchase of the building on behalf of the subsidiary company and the remaining \$500,000 would be used for closing costs and leaseholds improvements. The leaseholds improvements to be purchased directly in NACCA as NACCA would become a tenant in the building owned by the subsidiary company.

10. DEFERRED CONTRIBUTIONS

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 4,393,976	\$ 655,001
Contributions received during the year	67,233,873	35,782,441
Contributions recognized as revenue during the year	<u>61,230,281</u>	<u>(32,043,466)</u>
Balance, end of year	<u>\$ 10,397,568</u>	<u>\$ 4,393,976</u>

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2021

10. DEFERRED CONTRIBUTIONS, CONTINUED

Deferred contributions represent amounts received under the funding agreements with ISC and ESDC that have not yet been spent on operations or programming. At the end of the current year, these amounts are \$9,177,817 and \$1,219,751, respectively. The following is a breakdown of the deferred contribution balance for ISC:

- Unrestricted fund of \$1,510,753 includes:
 - General operations - \$829,461
 - AEP assessment - \$45,945
 - Procurement - \$107,272
 - National Indigenous Economic Strategy - \$330,714
 - Forum - \$90,421
 - Harvard - \$31,940
 - Harvard (AFI funded) - \$75,000
- IBSP fund of \$7,667,064 includes:
 - Interest and contingency funding - \$6,573,275
 - NACCA deferred operating contributions - \$1,093,789

Under the 5-year agreement with ISC, contributions that are unspent at the end of each fiscal year can be deferred and spent in subsequent fiscal years. Any remaining unspent funds at the end of the five year agreement are repayable under the terms of the agreement. Fiscal year 2021 is the fourth of five years under the current agreement.

Under the two-year agreement with ESDC for the IRP fund, contributions unspent in the first year could be deferred and spent in the second. Due to delays surrounding covid-19, the program was extended an additional 3 months, and any unspent funds after June 30, 2021 are repayable under the terms of the agreement.

11. EMPLOYEE BENEFIT PLAN

The association is an employer member of the Native Benefits Plan, which is a multi-employer, defined benefit plan. The Plan is being accounted for as a defined contribution plan since information specific to the association's portion is unavailable. Total cash payments for employee future benefits, consisting of cash contributed by the association to its funded pension plan during the year ended March 31, 2021 were \$145,651 (2020 - \$131,716). This amount is included in wages and benefits on the statement of operations.

12. COMMITMENTS

The association has entered into a lease agreement expiring August 31, 2025 for the rental of office space with annual minimum payments as follow:

2022	\$ 256,255
2023	256,255
2024	256,255
2025	256,255
2026	<u>106,773</u>
	<u>\$ 1,131,793</u>



NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2021

13. ECONOMIC DEPENDENCE

The association derives 95% (2020 - 96%) of its total revenues from a funding agreement with Indigenous Services Canada.

14. CONTINGENCIES

The association has guaranteed a mortgage of 2747534 Ontario Corporation (the related party described in note 7), authorized by a financial institution to a maximum of \$1,000,000 which bears interest at the greater of the Government of Canada 5 year bond yield plus 200 basis points or 2.94% per annum. The association has provided a general security agreement creating a security interest against its present and after-acquired corporate property. As of March 31, 2021 the balance outstanding on the mortgage was \$967,623 (2020 - \$NIL). Covenants are included in the lending agreement and the related party is in compliance as of the year end date.

Certain program revenues of the association are subject to conditions regarding the expenditures of the funds. The association's accounting records are subject to audit by funding agencies to identify instances, if any, in which the amounts charged to projects have not complied with the agreed terms and conditions, and which, therefore, would be refundable to the funding agency. Any adjustments to the financial statements as a result of these audits will be recorded in the future period in which they become known.

15. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The association's main financial risk exposure and its financial risk management policies are as follows:

(a) Interest rate risk

The association manages its exposure to interest rate risk through acquiring fixed rate investments. Interest rate risk is the risk that the company has interest rate exposure on its bank account balances and investments. This exposure may have an effect on its earnings in future periods. In the opinion of management the interest rate risk exposure to the company is low.

(b) Credit risk

The financial instruments that potentially expose the association to credit risk are primarily loans receivable. Credit risk relating to loans receivable is generally diversified since the association negotiates with a large number of institutions. The association ensures that its member financial institutions have undertaken appropriate credit investigations into the ultimate loan recipients. Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. In the opinion of management the credit risk exposure to the company is low.

(c) Concentration risk

The association's cash is subject to concentration risk because the majority of its cash is held by one financial institution and exceeds the maximum deposit coverage provided by the Canada Deposit Insurance Corporation.



NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2021

15. FINANCIAL INSTRUMENTS, CONTINUED

There is no significant change in the the risk profile for the financial instruments of the association compared to the prior fiscal year.

16. SUBSEQUENT EVENTS

(a) COVID-19 Pandemic

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the association's environment and in the global markets due to the possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the association's operations. The virus has had a major impact on Canadian and international securities and currency markets, as well as consumer activity, which may impact the Association's future financial position, its results of operations and its cash flows. It is not currently possible to accurately quantify or estimate the subsequent impact this may have on the association's activities after year end.

(b) Indigenous Business Stabilization Program

In response to the COVID-19 crisis, in the prior year the Government of Canada announced a number of emergency relief measures to support businesses across Canada. Working closely with Indigenous Services Canada (ISC), the association developed the Indigenous Business Stabilization Program (IBSP) in the current year, an initiative to support Indigenous businesses and AFIs impacted by COVID-19 as described in note 2 and 6. The association is responsible for the delivery of the emergency loan program.

The association received \$187 million in 20/21 fiscal year and it was announced that subsequent to year end, the emergency loan component was extended to June 30, 2021 and the association will receive an additional \$34 million for this component of the program.

It was also announced that the interest relief and contingency program is extended to March 2022.

(c) Indigenous Growth Fund

The Indigenous Growth Fund (IGF) is a new \$150 million investment fund that will provide access to the capital that Indigenous small- and medium-sized enterprises (SMEs) have long sought and lacked.

The fund's lead investors are the Government of Canada and Business Development Bank of Canada (BDC), with further commitments from Export Development Canada (EDC) and Farm Credit Canada (FCC).

The fund will be operational and capital will begin to be deployed to AFIs later in calendar year 2021, subsequent to year end. Once fully utilized, the fund will increase AFI lending by \$75 million annually with loans to roughly 500 businesses.

NACCA will be responsible for the administration of the fund.



NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2021

17. NEW ENTITIES

During the fiscal year, two new entities were incorporated by NACCA's board. Although there was no activity in either, the purpose of each entity is as follows:

Indigenous Prosperity Foundation

To advance education by developing and delivering courses, training programs and workshops on the subjects of business, entrepreneurship, career options and community economic development for Indigenous people and communities and the general public. The foundation has applied for charitable status with the Canada Revenue Agency and the application is still in progress.

Indigenous Growth Fund Inc.

Will act as the general partner in the newly created Indigenous Growth Fund as described in note 16. It will legally manage the IGF and enter into a service agreement with NACCA to manage the administration of the fund.

18. INTERFUND AND UNRESTRICTED FUND CASH

The purpose of this note is to explain the relation between the interfund account and the excess monies in the unrestricted fund cash account.

The interfund account represent monies payable and receivable from the unrestricted fund to the various other funds including the internally restricted fund and the restricted program funds. The interfund balances in the Enhanced Access Fund, ADLA Fund and ABFP Fund, have arisen due to the fact that these restricted funds do not have individual bank accounts (due to operational efficiencies gained), and thus the majority of the organization's cash is being held in the unrestricted fund bank account. It is important to take this into consideration as it may appear that the unrestricted fund has excess cash when in reality this money is dedicated to these other funds. The amounts due back to the unrestricted fund from the remaining funds have arisen because certain restricted fund expenditures were paid by the unrestricted fund on behalf of those funds.

Below is a breakdown of what is owed to and from the unrestricted fund:

Amounts owed by the unrestricted fund to other funds:

- Enhanced access fund \$2,046,313
- ADLA \$1,221,011
- IRP \$4,566
- IBSP \$23,443

Amounts owed to the unrestricted fund by other funds:

- Internally restricted fund \$138,234
- ABFP \$422,189
- WES \$329,304

If the restricted funds had individual bank accounts and the above amounts were settled, the unrestricted fund cash balance would decrease from \$4,538,895 at the end of the fiscal year to \$2,133,289.



NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION

Schedule 1 - Board Committees Expenses

Year ended March 31, 2021

(unaudited)

	2021	2020
Honorarium by meeting		
Board of Directors	\$ 49,050	\$ 63,375
Executive Committee	9,450	2,700
Governance Committee	8,250	15,675
Audit and Finance Committee	11,925	9,600
Annual General Meeting	2,975	16,225
General Manager's Meeting	1,350	2,500
Event Meetings	-	17,600
Individual Meetings	6,925	8,250
Other	1,275	5,625
	<u>91,200</u>	<u>141,550</u>
Airfare and Meals	106	109,778
Accommodations	-	63,687
Other	6,334	16,556
	<u>97,640</u>	<u>331,571</u>

